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Weekend

FINANCIAL TIMES

Weekend FT

Bacteria – they're back

SECTION II

Why it's time to sell fine clarets

A skiing family's alternative

World Business Newspaper

WEEKEND OCTOBER 28/OCTOBER 29 1995

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Italy launches sale of $6bn stake in state oil group

By Andrew Hill in Milan

The Italian government yesterday took advantage of a lull in political tension to launch the L10,000bn ($6.25bn) partial privatisation of Eni, one of the world's biggest oil and chemicals groups.

The treasury, which owns all Eni's shares, is planning to sell about 20 per cent of the company, starting on November 20, in what will be one of the largest stock market flotations ever.

In spite of continuing political uncertainty, the government set a price range of L5,250 to L6,000 a share, at the top end of expectations.

Mr Lamberto Dini's technocratic government narrowly survived a parliamentary no-confidence vote on Thursday, and it is understood that contingency plans were prepared for the Eni sale in case the government fell. But Mr Mario Draghi, director-general of the treasury, said yesterday: "We never thought of pulling the deal." The Government hopes the sell-off will be a people's privatisation. Between 25 and 50 per cent of the shares available will go to retail investors, who will be encouraged to reserve stock ahead of the official pricing on November 19.

To improve demand, the treasury will also "insure" shareholders against any collapse in the Eni share price. If the share price declines, it will pay shareholders the difference between the offer price and the trading price one year after flotation, up to a maximum of 10 per cent.

This sort of safety net has only been used once before, for the successful privatisation of Repsol, the Spanish oil company, earlier this year. It is seen as particularly important in Italy because of the unstable political situation and the disappointing trading performance of some recently privatised companies.

Mr Dini has promised to step down by the end of the year and institutional investors will use the volatile political background to press for a price at the bottom end of the treasury's range. The global co-ordinators of the sale – IMI, the Italian banking group, and Credit Suisse First Boston – are trying to remain flexible on the exact amounts which could be allocated to institutions and retail investors.

Eni, heavily restructured ahead of privatisation, operates through a series of subsidiaries including Agip in the oil sector, Snam in gas, and Enichem in chemicals. Last year, it reported record annual profits of L3,251bn, and in the first half of 1995 pushed up net profits by 54 per cent to L2,760bn. Eni is also seeking a listing for its shares on the New York Stock Exchange.

If the government succeeds in raising L10,000bn from the Eni sale, it will surpass its forecast income from privatisations for 1995. It has already raised L2,500bn with the placing of shares in Ina, the insurance company, and IMI.

ALSO INSIDE TODAY'S
Weekend FT

- **Fashion:** Ugly or romantic
- **Travel:** Witchcraft capital of the world
- **Books:** Mother Teresa–is nothing sacred?

Israel set to agree deal on purchase of gas from Qatar

Qatar, Israel and US oil giant Enron will this weekend announce a breakthrough in talks on a multi-billion-dollar deal to supply Israel with natural gas from the Gulf state. The project is one of several big regional deals made possible by the developing Arab-Israeli peace. Page 22

Wella shares dive: Ordinary shares in German haircare group Wella plunged 13.3 per cent to DM880 after a blunt profits warning citing several problems, including "management error" in one of its foreign divisions. Page 6

Passenger ship in distress: A Nigerian ship with more than 500 people on board was close to sinking in deep waters off Liberia. Panic-stricken passengers were reported to have offloaded cars and heavy machinery to stop the ship listing.

Peugeot Citroën, the French carmaker, saw first-half profits surge almost 80 per cent to FFr1.22bn ($247.7m). Page 6

Britain awards TV licence: A group led by Pearson, owner of the Financial Times, won the licence to run Britain's fifth earth-based TV network. Two higher bids were rejected. Page 4

Spain cuts spending: Spain's cabinet agreed Ptas750bn ($6bn) in spending cuts to help meet deficit targets after parliament's rejection this week of the 1996 budget. Page 2

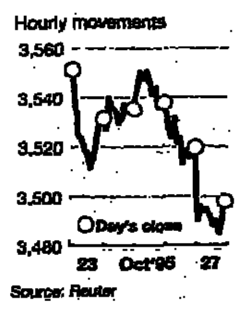
Singapore graft case: Choy Hon Tim, former deputy chief executive of Singapore's public utilities board, was charged over bribes totalling S$63.38m (US$44.37m) in the state's biggest corruption case. He faces a total of 26 charges.

Change planned for Chinese zones: Beijing plans to end preferential taxes and exemptions in its Special Economic Zones, which were set up to attract foreign investment. Bai Hejin, deputy secretary general of the state planning commission, said the zones' task had been completed.

Fort Bragg shooting: A sniper killed one soldier and wounded 18 when he fired at troops doing early morning exercises at Fort Bragg, North Carolina. A fellow soldier was arrested.

London stocks down after difficult week:

FT-SE 100 Index



Source: Reuter

London shares finished a troubled week with another decline, reflecting Thursday's sharp fall on Wall Street and a generally weak day on European stock markets. The FT-SE 100 index opened 29.3 points lower at 3,490.3, then climbed briefly back above 3,500. The index dropped again to a day's low of 3,484.7 and finally rallied slightly to close 21.7 points down on the day at 3,497.9. Page 19; World stocks, Page 17

Companies in this issue

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Vigorous growth of US economy surprises markets

By Michael Prowse in Washington

The US economy rebounded vigorously in the July-September quarter, growing at an annualised rate of 4.2 per cent in real terms, official figures indicated yesterday.

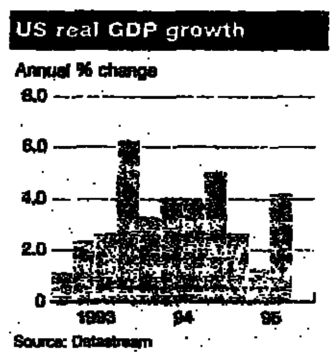
The pace of growth – the fastest since the end of last year – surprised many economists who predicted gross domestic product would rise at an annualised rate of about 2.6 per cent, against 1.3 per cent in the second quarter.

It also surprised the markets and sent bonds into retreat, with the 30-year issue falling half a percentage point and the Dow Jones Industrial Average down 25 points at one stage. But the near absence of any upward pressure on inflation seemed to comfort investors and by 2pm New York time the Dow was 29 points higher and the 30-year bond up by about a sixth of a point.

The low inflation component was as striking as the rapid growth. The GDP "deflator" – a broad measure of inflation – rose at an annual rate of 0.6 per cent, down from 1.6 per cent in the second quarter. A "fixed-weight" index showed inflation at 1.8 per cent down from 3.2 per cent.

President Bill Clinton hailed the figures as evidence that the economy was "on the right track". He said the resumption of faster growth should not lead to higher interest rates because "inflation is so low".

US real GDP growth



Source: Datastream

The strong GDP report seemed likely to strengthen the hand of "hawkish" policymakers at the Federal Reserve, who believe an early easing of monetary policy is not warranted. However, even the hawks are likely to be impressed by the growing evidence that inflation is firmly under control.

"There is nothing here to make the Fed unhappy," said Mr David Jones, chief economist at Aubrey G Lanston, a New York broker. "Inflation is remarkably well behaved."

Most Wall Street economists still expect a small cut in short-term rates – to 5.5 per cent – if and when Congress and the White House reach agreement on measures to balance the federal budget. Such a deal may not be finalised until late December.

The Fed appears still on course to achieve its promised "soft landing". The consensus view among US forecasters is that economic growth will moderate to a sustainable 2.5-3.0 per cent in the final three months of the year.

The third quarter rebound partly reflected special factors such as a surge in residential construction and heavy purchases of consumer durables following a sharp decline in long-term interest rates. Companies also failed to cut the rate at which they accumulated stocks of unsold goods. A stocks overhang could depress growth in the fourth quarter.

Consumer spending increased at an annualised rate of 2.9 per cent, down from 3.4 per cent in the second quarter, but some economists doubt whether that pace can be sustained. Business capital spending grew at an annualised 8.3 per cent against 11.3 per cent in the second quarter.

Editorial Comment, Page 8
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Former South Korean president Roh Tae-woo made an emotional televised apology to the nation from his home in Seoul yesterday. He admitted illegally collecting Won500bn ($650m) in secret political donations during his term between 1988 and 1993 Page 3 Reuter

Doctors rule out Yeltsin's fast return

By Chrystia Freeland in Moscow

President Boris Yeltsin's grip on Russia's foreign and domestic policy slipped further yesterday when doctors warned that he must stay under close medical supervision until the end of November, following a mild heart attack on Thursday.

This could keep him out of the Russian political arena in the run-up to parliamentary elections, scheduled for December 17.

Mr Yeltsin's second heart attack in four months also forced cancellation of the Bosnian peace summit, planned for next Tuesday in Moscow. The Kremlin had hoped the meeting would help Russia re-assert itself as a significant player in international politics, but the focus of efforts to resolve the Bosnian crisis has now shifted to a November 1 meeting in the US.

Mr Yeltsin's illness, and the prospect of his political authority's seeping away, could further weaken Russia's influence abroad. Even assurances from presidential aides that he had the "nuclear button" – control of Russia's vast nuclear arsenal – with him in hospital are unlikely to reassure foreigners.

The heart attack has also

Continued on Page 22
Russian dream of suburban high-life, Page 2

Merrill likely to face action over Tokyo share dealing

By Gerard Baker in Tokyo

Merrill Lynch, the US investment bank, faces punishment by the Japanese authorities for violations of rules governing securities transactions.

The Securities and Exchange Surveillance Commission, the leading regulatory body for brokers in Japan, yesterday recommended that Merrill be punished for trading, on its own account, stock issued by companies with which it had underwriting contracts during a period in which such transactions were outlawed.

The case comes at a delicate moment in relations between US and Japanese financial regulators. Last month Daiwa Bank, one of Japan's largest banks, revealed it had lost more than $1bn in unauthorised bond trading at its New York branch.

It subsequently emerged that the finance ministry had known about the losses six weeks before the US authorities were informed.

There was some cynicism among foreign brokers about the timing of the move against Merrill Lynch. The SESC had been monitoring the company's trades for several years before yesterday's announcement. But officials denied there was any connection with the Daiwa incident.

The ministry, which has the authority to punish domestic and international securities companies, said it would consider the case with representatives of Merrill Lynch next week. A senior official said possible sanctions against the company included temporary suspension of its relevant Japanese operations.

The SESC said that between May 1989 and February 1995 Merrill had repeatedly purchased the shares of companies with which it had underwriting contracts during the so-called "stabilisation

Continued on Page 22

STOCK MARKET INDICES

FT-SE 100: 3,497.9 (-21.7)	**US LUNCHTIME RATES**	**STERLING**	**DOLLAR**
Yield 4.04	Federal Funds: 5 11/16%	New York lunchtime:	New York lunchtime:
FT-SE Eurotrack 100 1,383.93 (-10.48)	3-m Treas Bills: Yld 5.386%	$ 1.57945	DM 1.4023
FT-SE-A All-Share 1,720.27 (-0.6%)	Long Bond 106 15/32	London:	FFr 4.8841
Nikkei 17,337.19 (-389.49)	Yield 6.39%	$ 1.5801 (1.5741)	SFr 1.1343
New York lunchtime		DM 2.2129 (2.2063)	Y 101.615
Dow Jones Ind Ave 4,728.39 (+24.57)	**NORTH SEA OIL (Argus)**	FFr 7.6964 (7.753)	London:
S & P Composite 578.28 (+1.56)	Brent 15-day (Dec) $16.32 (15.90)	SFr 1.7893 (1.7933)	DM 1.4006 (1.4017)
LONDON MONEY	**GOLD**	Y 160.691 (160.238)	FFr 4.871 (4.9255)
3-mo Interbank 6¼% (6 9/32%)	New York Comex (Dec) $383.9 (384.3)	£ Index 83.8 (83.7)	SFr 1.1324 (1.1393)
Liffe long gilt fut: Dec 105 13/32 (Dec 106 3/16)	London $382.05 (382.65)		Y 101.7 (101.8)
			$ Index 93.1 (93.2)
			Tokyo close Y 101.305

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Austria Sch35; Bahrain Din1.250; Bermuda $2.00; Belgium BFr70; Canada C$1.75; China RMB26.50; Cyprus C£1.10; Czech Rep Kc58; Denmark DKr17.00; Egypt E£5.00; Estonia EK 20.00; Finland Fmk15; France FFr11.00; Germany DM3.80; Greece Dr400; Hong Kong HK$20; Hungary Ft215; Iceland IKR220; India Rup75; Indonesia Rp4,050; Israel NS7.80; Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; Luxembourg LFr70; Malaysia Rm4.80; Malta Lm0.60; Morocco Dh15.00; Nigeria Naira90.00; Netherlands Fl4.25; Norway NKr18.00; Oman OR1.50; Pakistan Rs40; Philippines Peso 50; Poland Zl 4.20; Portugal (m'land) Esc230; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep Sk50; South Africa R12.00; Spain Pta250; Sri Lanka Rup30; Sweden SKr17.00; Switzerland SFr3.80; Taiwan NT$65; Thailand Bht50; Tunisia Din1.500; Turkey L60,000; UAE Dh12.00; USA $1.50

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

Berlusconi savaged in Roman political jungle

By Robert Graham in Rome

To console himself after failing to bring down the Dini government, Mr Silvio Berlusconi was heard to remark with some bitterness: "I'm like Snow White in a world where there are no fairy tales...The rules for running a business are not the same as those in politics."

Mr Berlusconi, former prime minister, leader of Italy's right-wing alliance and owner of three television channels that account for almost half the national audience, has yet to feel at home in the jungle of Roman politics.

This week the path to an early election on his terms was firmly blocked. A last minute tactical switch by the hardline remnants of the old Italian Communist Party defeated his no confidence motion brought against the Dini government.

If Mr Berlusconi had won the vote, he would have forced the immediate resignation of Mr Lamberto Dini, the prime minister, with a snap general election in mid-December. As it is Mr Dini remains in office, at least until the end of the year, and will then probably head a caretaker government for elections in March.

Mr Dini's survival made for another good day for the lira and the Italian bond markets. In late trading on Liffe, the December 10-year bond futures contract, drifted above 102.01, up 0.68. The lira closed against the D-Mark at L1,139 just ahead of Thursday's finish of L1,143.

Mr Berlusconi has now tried and failed on three occasions this year to force an early election. On each occasion he has listened to the hawks in his camp, who are those with the least political experience.

The most striking aspect of Mr Berlusconi's behaviour is just how much he hates being a loser. Though successful in business (amassing a fortune and becoming proprietor of AC Milan, one of the world's top football teams) he still lacks the temperament of a politician able to take the rough with the smooth.

Nor has he managed to distinguish between his role as a politician and his position as owner of Fininvest, Italy's second largest private group.

Anti-trust legislation has been effectively blocked in parliament by his supporters on vital committees and his decision this summer to bring in foreign shareholders into his TV empire does not address the central issue of his continued control.

Indeed, the suspicion remains his political career is a means of protecting his business interests - as well as his own person from the magistrates. Thus when this week he sought to accelerate elections, cynics interpreted he wanted to get the poll out of the way before he faced trial in mid-January on charges of alleged corruption while running Fininvest.

The unresolved conflict of interest, combined with his impending trial, casts serious doubt about his acceptability to run again for the premiership. These doubts are now heightened by his failure to unseat Mr Dini.

However, Mr Berlusconi's strength remains twofold – his effective ownership of the Forza Italia movement, whose organisation came from the ranks of Fininvest, and his nationwide appeal as a charismatic figure.

Within his right-wing alliance neither Mr Gianfranco Fini, leader of the right-wing National Alliance, nor the small centrist groupings formed from the old Christian Democrats, can survive without the electoral mantle of Forza Italia. Nevertheless the difference between Mr Berlusconi being an asset or an embarrasment is finely balanced; and if he overplays his hand in opposing the 1996 budget in the coming weeks, he could push the moderates out of his camp.

● Italy's constitutional court yesterday decided to accept two legal challenges lodged by Mr Filippo Mancuso, the minister of justice, whose sacking last week led to the tabling of the no confidence motion. The court's ruling did not examine the merits of Mr Mancuso's complaints. These will be considered within 20 days. However, the decision to accept the case means that the court believes the minister may have grounds to challenge the legality of his removal from office.

Russian telecom battle narrows

By John Thornhill and Chrystia Freeland in Moscow

The battle for a 25 per cent stake in one of Russia's leading telecommunications companies was yesterday narrowed down to two western bidders which have pledged to invest at least $1.2bn (£750m).

In what is expected to be the biggest strategic investment in Russia outside the oil sector, Russian officials announced a short-list in the competition to buy into Svyazinvest, a newly created telecommunications company which has been granted rights to exploit Russia's long distance and international telephone markets.

The successful bidders are Stet, the Italian telecommunications company, and a consortium of western telecommunications firms, including France Télécom, Deutsche Telekom and a company representing US West.

The two bidders agreed to meet minimum government conditions of paying at least $430m for the 25 per cent stake, and investing no less than $770m in Svyazinvest over the next two years. The two groups will now be asked to make further bids, and Russian authorities said they would announce a winner by the end of the year.

Mr Maxim Boyko, head of the Russian privatisation centre, an advisory body conducting the sale with the help of a group of foreign banks headed by N.M. Rothschild, said the deal could help set a precedent for greater transparency in the sell-off of Russian government assets.

"It breaks new ground in the privatisation process, establishing a new approach and scale of values in privatisation transactions," Mr Boyko said.

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Markets hail Chirac's drive for austerity

By John Ridding in Paris

President Jacques Chirac's backing for two years of budget austerity and deficit reduction yesterday drew a positive response from the Bank of France and currency markets, but brought dismay from trade unions.

The French president's more aggressive stance, announced on television on Thursday night, was seen as an important policy statement, marking a shift from populist electoral promises. It appeared designed to set a clear course of action for the unpopular conservative government and to reassure financial markets.

Mr Jean-Claude Trichet, the central bank governor, said that Mr Chirac's stance removed uncertainty about policy and would bolster confidence in the French economy. Mr Jean Gandois, the head of the Patronat employers association, said he had been reassured by Mr Chirac's statements and predicted that interest rates would be cut within the coming weeks.

The Bank of France has been forced to raise interest rates to defend the French franc. Investors are sceptical about the government's ability to cut the country's public sector deficits, forecast to reach 5 per cent of GDP this year and are concerned about a lack of direction in the conservative administration of Mr Alain Juppé, the Gaullist prime minister.

Mr Chirac's speech, which stressed his commitment to European monetary union, prompted a positive response in bond and currency markets. The French franc broke through the FFr3.50 to the D-Mark level, gaining four centimes to trade at FFr3.477 to the German currency.

"This was the first time that Chirac placed such priority on deficit cuts and signalled a clear choice between orthodox policies and his populist promises", said one economist in a reference to contradictory campaign pledges to cut taxes, deficits and unemployment simultaneously.

However, market observers stressed that they still needed convincing of the government's ability to achieve its objectives and expressed concerns that austere policies could damage already slowing economic growth. "The growth rate is a problem, and they must also show they are prepared to overcome tough opposition to reforms", said one currency economist.

Trade unions have struck against a public sector spending freeze and are opposed to measures to curb the FFr60bn (£7.78bn) social security deficit. Force Ouvrière, one of the largest union organisations, said it was dismayed by Mr Chirac's stance. "French society is being placed under the control of the financial markets", said Mr Marc Blondel, the union's leader.

Political parties were divided by Mr Chirac's stance. Liberal members of the parliamentary majority, many of whom have criticised the government's lack of progress on reforms, applauded his statements.

"He has clearly set a course for reform," said Mr Alain Madelin, the free-market finance minister who was forced to resign in August after clashing with Mr Juppé and trade unions.

But socialist opponents said it showed he had made false promises during the presidential campaign.

Chirac: tough measures to put France on course for European monetary union Reuter

The nouveaux-riches are fleeing the town centres for extravagant homes in suburbia

Russian dream of suburban high-life

By Chrystia Freeland in Moscow

After the collapse of communism, western icons such as Big Macs, blue jeans and rock music swiftly became part of Russia's historically closed culture. Now, four years after the beginning of market reforms, Russia is beginning to adopt another defining feature of the American lifestyle: Russia is discovering suburbia.

Under Soviet rule, Russian cities were the ungainly creations of an all-powerful bureaucracy. On the outskirts of Moscow and dozens of other cities throughout the country, miles of indistinguishable high-rises suddenly gave way to fields or forests: the city ended according to the dictates of the central plan. In the centrally planned capital, status was measured by proximity to the Kremlin, with the elite living in the city centre and the less privileged relegated to the anonymous apartments on the periphery. Today this is starting to change.

As traffic clogs Moscow's once empty streets and urban crime, a rarity under the authoritarian communist regime, becomes common, Russia's nouveaux riches are following a pattern first established in the post-war US. The rich are fleeing the city centre and building their own suburbs.

"Living in the centre of the city is not as prestigious as it used to be," says Ms Maria Tabashnikova, an analyst at the Moscow Central Realty Exchange, one of the city's biggest real estate agents. "The clear tendency is for offices to take over the centre and for people to move into single family dwellings on the outskirts of the city."


One of Moscow's suburban settlements for the new Russians Reuter

Ms Tabashnikova says the typical urban evils of traffic, pollution and crime are partly responsible for the exodus, but also attributes the departure from the city centre to a uniquely Russian problem.

As part of his grandiose effort to reshape the Russian capital, Mr Yuri Luzhkov, the mayor of Moscow, has launched an ambitious campaign to renovate downtown buildings. When an apartment building is targeted for a facelift under the mayor's programme everyone, even owners of private apartments, must move out.

"If your building comes under the mayor's programme you have no choice but to leave," Ms Tabashnikova says. "For this reason, many are trying to escape the downtown."

One of the most coveted places of refuge is an elite enclave 45 minutes from the centre of Moscow, tentatively named Golitsyno-3. On a 55ha plot of land Menatep, one of Russia's top 10 banks, is building extravagant brick homes for a carefully vetted group of customers.

Mr Konstantin Parshutov, manager of the project, says building a home in Golitsyno-3 costs at least £63,000 and prices can run into millions. Only a tiny minority can afford this new Russian dream, but even those who have the money are not automatically guaranteed admittance to this Muscovite version of Arcadia.

"As you know, we have a criminal, gangster element emerging in Russia today," Mr Parshutov says. "We investigate everyone who wants to live in our development and we do not let the criminals in. Our clients are financiers, businessmen, and they do not want to live next to mafiosi."

Instead, the chosen residents of Golitsyno-3 tend to be the more established members of the old nomenklatura who have succeeded in transforming their political power into wealth. The grandest home in the development is a 680 sq m brick fortress being built by a Russian oil baron. It includes a swimming pool, a two-car garage and a traditional Russian banya (sauna). Valentin, a 57-year-old former director of a Siberian metallurgical factory, is building a slightly more modest, 326 sq m brick rectangle of a house in another corner of the development.

"We decided to build ourselves a quiet, peaceful place so as not to be surrounded by the noise and dirt of the city," Valentin says. "Five years ago, we would never have been able to do this."

Like the oil baron – who forbids photographs to be taken of his mansion – Valentin is secretive almost to the point of paranoia. He was once a senior Russian government official and a powerful figure in Russian industry, but he asks that his name not be used.

"No one with wealth wants publicity today," he explains. "Yeltsin is sick and who knows, perhaps Zhirinovsky or some other maniac will be in charge of the country tomorrow."

Like the American middle class, whose flight to guarded suburban neighbourhoods has been accelerated by a growing fear of the impoverished and embittered residents of the inner cities, Russia's new suburbanites do not trust their compatriots. As parliamentary elections approach and the president's health wanes, Russia's new elite has begun to fear a popular backlash.

That sentiment may not be entirely misplaced. Gaps in the iron fences which enclose Golitsyno-3 reveal glimpses of the village of Golitsyno, the derelict remnants of an Imperial Russian estate. While their new neighbours race past in Mitsubishi jeeps and Range Rovers, the peasant women of the old Golitsyno shuffle past in shoddy felt boots carrying dripping buckets of water from the local well.

INTERNATIONAL NEWS DIGEST

Madrid plans budget cuts

Big public spending cuts next year were announced by Spain's Socialist government yesterday – in an attempt to bolster the peseta after parliament's rejection of its draft 1996 budget this week. The cuts, totalling Pta750bn ($6.2m), removed fears that Spain might relax its efforts to meet the convergence criteria for entering European monetary union.

It is the biggest domestic expenditure cut on record in Spain. The cuts are concentrated on public investment and transfers to state-owned companies, but will affect virtually all ministerial departments.

The draft budget was voted down by parliament after the Catalan nationalist party withdrew support for the government. But this had been expected and there was no immediate effect on the peseta.

This year's budget now will automatically be rolled over into next year, and the government has to introduce emergency measures by decree to cut the budget deficit. Its main challenge is to slash the deficit from 5.9 per cent of gross domestic product to 4.4 per cent, while funding increased debt servicing charges and inflation-indexed pensions and civil service salaries.

It expects the cuts announced yesterday to offset these increases and to keep overall spending at the Pta17,318bn level written into this year's budget. *Tom Burns, Madrid*

Germans cautioned on Emu

Mr Alexandre Lamfalussy, president of the European Monetary Institute – forerunner of the planned European central bank – ruffled German feathers yesterday by saying even Germany might have trouble meeting the debt criteria for European monetary union.

This is the first time he has singled out the budgetary difficulties of Germany, which has taken a tough line on the need for countries to adhere to the Emu criteria in the Maastricht treaty. He told a bankers' meeting in Munich: "Even Germany is in danger of being no longer able to meet the 60 per cent debt criteria."

Last year, Germany and Luxembourg were the only EU members to meet all Maastricht economic criteria. But German tax revenues have fallen and unemployment expenditure has risen this year, complicating efforts to keep the budget and borrowing under control.

Mr Theo Waigel, finance minister, was quick to assert that Germany's public debt would stay just below the required 60 per cent of gross domestic product in 1995 and 1996. He called on the 16 state finance ministers to join in a "stability pact" aimed at paving the way for further consolidation of the budget and meeting the convergence criteria.

Mr Waigel, speaking a day after the opposition boycotted a committee meeting called to discuss next year's budget, said the federal deficit this year, set at DM50bn ($36bn), would amount to 2.9 per cent of GDP. Next year's deficit of DM59.9bn would be equal to 2.6 per cent of GDP. Both figures are below the 3 per cent criteria set by the Maastricht treaty.

Andrew Fisher, Frankfurt, and Judy Dempsey, Bonn

Jordan wins rating plaudits

Moody's Investors Service and Standard & Poor's, the international credit rating agencies, yesterday assigned credit ratings to the foreign currency debt of Jordan. Moody's assigned a Ba3 long-term rating to foreign currency debt, while S&P gave it a B+ foreign currency rating with a positive outlook, and a BBB- rating for local currency debt.

S&P said its rating was supported by "significant progress" in strengthening public finances, aided by fiscal reforms and external debt relief. "Cautious political liberalisation measures at home, combined with improving ties with its neighbours, have bolstered the kingdom's geopolitical position in the Middle East." While the Jordanian government has not issued any public international bonds, the government-owned telecommunications corporation recently issued a $50m Eurobond, spearheading the country's efforts to raise international investor awareness of investment opportunities in Jordan, and to mobilise offshore funds of Jordanian expatriates. *Conner Middelmann, London*

North Korean intruder shot

South Korean soldiers yesterday shot dead a North Korean infiltrator after a big manhunt. He had been on the run since a gunfight in which another intruder was captured on Tuesday.

The two North Korean agents had been in South Korea since late August to gather intelligence and bring a long-time resident spy back to Pyongyang, according to the South Korean intelligence agency.

South Korea yesterday condemned a recent series of North Korean infiltration attempts, declaring they must stop immediately. Mr Rha Woong-bae, the national unification minister, accused Pyongyang of deliberately raising tensions to divert the attention of North Koreans from growing economic problems at home. *John Burton, Seoul*

Turks pave way for election

Turkey will go ahead with general elections on December 24, after parliament approved a new electoral law early yesterday.

The law implements amendments made to Turkey's constitution during the summer. These lower the voting age from 21 to 18, allow Turks living abroad to vote, and increase the number of MPs from 450 to 550.

Mrs Tansu Çiller, the caretaker prime minister, sought early elections after losing a parliamentary vote of confidence in her minority conservative government two weeks ago. But her plan to hold elections at such short notice is controversial and is being challenged in the courts. *John Barham, Ankara*

Brussels clears US bank deal

The European Commission said yesterday it had cleared the merger of Chemical Bank and Chase Manhattan of the US. The Commission vets mergers involving companies with operations in the 15-nation European Union regardless of their nationality, to see whether they are compatible with the EU's common market.

It said the primary effect of the merger would be on the US and international markets. It would not hinder competition in national or international markets. *Reuter, Brussels*

Roh Tae-woo admits taking $650m gifts

By John Burton in Seoul

Mr Roh Tae-woo, South Korea's former president, disclosed yesterday that he had illegally collected Won500bn ($654m) in secret political donations during his term between 1988 and 1993.

The confession by Mr Roh, who offered an emotional apology in a televised statement from his home in Seoul, threatens to implicate other leading politicians.

In a startling admission, Mr Kim Dae-jung, the long-time opposition leader and foe of Mr Roh's military-backed government, said he had accepted a "gift" of Won2bn from Mr Roh during the last presidential election in 1992.

"Giving money to both opponents and allies is a tradition in Korean politics to buy safety from any political vendettas," explained a former aide to Mr Roh.

In the 1992 campaign, Mr Kim stood against President Kim Young-sam, who represented Mr Roh's ruling party.

The opposition leader accused President Kim, who has aggressively promoted an anti-corruption policy, of secretly accepting "hundreds of billions of Won" from Mr Roh in 1992 in violation of election financing laws.

Mr Roh revealed his secret political funds after prosecutors this week discovered almost Won100bn hidden in domestic bank accounts linked to him.

Most of the money was collected from business groups and was used to pay for the ruling party's operating expenses and merit awards for bureaucrats, with Won170bn still left in his bank accounts, Mr Roh said.

The Korean government may ask Switzerland to investigate allegations that Mr Roh also maintains a secret bank account there if evidence is uncovered to support the claim.

A contrite Mr Roh said he was willing to accept any punishment decided by the authorities and he assumed complete responsibility.

He urged the government not to prosecute businessmen implicated in the scandal because they "are working hard amid severe international competition".

Mr Roh suggested that businesses had been forced for decades to make donations to leading politicans because their support was needed in an economy dominated by heavy state intervention. "But I am totally accountable for failing to crack down on the wrongful practices of the past," he added.

The National Congress for New Politics, the main opposition party led by Mr Kim Dae-jung, criticised Mr Roh for failing to reveal details about how the funds were collected and who received them. Other opposition parties called for Mr Roh's immediate arrest.

Beijing, Seoul nearer deal on aircraft programme

By John Burton in Seoul

China and South Korea have narrowed differences on their proposed joint 100-seat aircraft programme, said the trade and industry ministry in Seoul.

The disagreements between Beijing and Seoul, which mainly involve the location of production facilities, headquarters and design centre, have contributed to a delay in selecting a European or US technology partner for Asia's most ambitious aerospace project.

Aviation Industries of China and Samsung Aerospace, which is heading a 14-member Korean consortium, have agreed in principle to split production between the two countries.

But it remains uncertain how production will be allocated. Korea is seeking a 50-50 division in work, while China wants to assemble at least two-thirds of the aircraft because of greater demand in its domestic market.

China is expected to order 200-250 of the medium-sized commercial jets between 2000 and 2020, against 100 for Korea. Foreign orders would be divided evenly between China and Korea, under the Chinese proposal.

The headquarters will be in a third country, possibly Hong Kong or Singapore, where it is easier to raise capital for the $1.2bn programme than in Beijing or Seoul.

The design centre will be located in whatever western country is selected to provide technology. Boeing and McDonnell Douglas of the US are competing separately for the project, against a European consortium consisting of Aérospatiale, British Aerospace, Daimler-Benz and Alenia of Italy.

Korean officials hope a final decision on the production facilities will be concluded before Chinese President Jiang Zemin visits Seoul next month. A quick settlement will also prevent the project's schedule slipping.

The formal establishment of the Sino-Korean joint venture and selection of a western partner had been planned by the end of this year, with aircraft development to be completed by early 1998. Trial test flights are scheduled to begin in mid-1999 and initial production by late 2000.

The Chinese and Korean partners will each take a 35 per cent stake in the project, with the western partner receiving 20 per cent. The remaining 10 per cent will be offered to Asian airlines.

'I used the metaphor of our space shuttle linking with their Mir spacecraft. And I said sudden movements are dangerous, and Yeltsin said *da*'

Once again President Boris Yeltsin of Russia sent shivers through Washington this week, first with an erratic performance after his summit with President Bill Clinton in New York and then by his admission to hospital back in Moscow.

In a White House interview on Thursday afternoon, Vice President Al Gore recalled a long conversation with the Russian president, ironically in a Moscow hospital, just after he had put the wind up the west in Budapest last year by warning of the potentially dire consequences of Nato expansion.

"I used the metaphor of our space shuttle linking with their Mir spacecraft and referred to the way their two orbits had to be brought into alignment. And I said sudden movements are dangerous and he said 'da' and picked up the metaphor."

Mr Gore, in fact, does a lot of the solid moving and shaking in US-Russian relations. The joint commission he heads with Mr Victor Chernomyrdin, the Russian prime minister, has emerged as a wide-ranging problem-solving panel. Three times this month he has given domestic speeches devoted solely to the imperative of continued US engagement with Russia.

His Thursday theme was also both upbeat and cautionary. "Obstacles" should be seen, wherever possible, as "opportunities". Thus the practical difficulties of getting Russians to help enforce a settlement in Bosnia had to be matched against "the fact that joint service in a peacekeeping mission would be remarkable" – for both countries.

Equally with Nato. "The process by which Nato's relationship to Russia is deepened and clarified and the process by which our relationship to Russia is deepened and clarified have to advance at the same time and, as they do, the relationship between those processes becomes much easier to resolve."

In this, Mr Gore says, "we intend no sudden movements", with "everything predictable, gradual and transparent". He did not think the Russian public or military now saw Nato as a threat, nor would they if this steady policy was pursued.

His warnings were directed at US politicians more than their Russian counterparts. While declining to predict the Duma results in December, the outcome of Russian elections "will not always be what we like". But even the re-emergence of the Communist party "should not cause us to overreact". He takes some consolation in the fact that the extreme nationalism represented by Mr Vladimir Zhirinovsky has been "diluted".

The ability of the US to influence Russian politics is "at best limited" but could, paradoxically, be "decisive", with the US margin for error very small.

The absence of a long-term US approach to Russia policy, which was supported by both parties, could end the US capacity to influence events in Russia and could even prove counterproductive if it were to ignite Russian nationalism.

Vice President Al Gore (left) talks to Jurek Martin

It would be wrong "to let small and medium sized problems put the whole relationship at risk". Thus it was "obviously self-defeating" for Congress to consider cutting 20-30 per cent from the Nunn-Lugar funding for missile dismantling or large amounts from US assistance to make nuclear reactors like Chernobyl safe.

He thought the US Congress "at a fork in the road", with greater evidence of the traditional bipartisan spirit in foreign policy to be found in the Senate than the House. At least this week's decision by a conference committee to remove the threat of ending all financial aid to Russia if it went ahead with its sale of nuclear reactors to Iran was welcome.

Mr Gore was concerned less that Russia policy would be at the mercy of next year's US presidential election than that it could be held permanently hostage to the vicissitudes of US politics. "We have to be prepared to keep a steady course for 10, 15, 20, 25 years through many presidential elections and many congressional elections."

While convinced that Russian reforms were working and that US assistance was "an investment that will pay off many-fold", the vice president did not underestimate the transitional difficulties. In this phase it was a country "quite vulnerable to bad choices", including "heavy-handed behaviour" towards its neighbours. But if the US could reinforce the Russian perception that its relations with the US were "extremely important", then that vulnerability could be minimised.

And, though he repeated the mantra that US policies were not focused on one person, he wished Mr Yeltsin a speedy recovery.

Inquiry into US newsprint producers begins

By Richard Waters in New York

The US Justice Department has begun an investigation into possible anti-competitive practices among the country's newsprint producers, echoing a similar review launched by the European Commission earlier this year.

The antitrust investigation, which is believed to be in its early stages, follows a year of rapid price increases which have brought howls of anger from newspaper publishers. From $425 a tonne 18 months ago, newsprint prices are set to reach about $815 a tonne with the latest round of price increases, announced earlier this week.

The Justice Department said it was "looking at the possibility" that newsprint producers had colluded to set prices. One newspaper executive said he had been contacted by antitrust authorities a month ago, but Champion International, a big producer, said it had received no request for information from the department.

North American paper industry analysts said the authorities' interest was not surprising, given the scale of recent price increases. Ms Kathryn McAuley, an analyst at Brown Brothers Harriman, the stockbroker, said the inquiry followed lobbying from newspaper publishers, which represent a powerful business lobby. "Whenever you see prices move that much, if it's brought to the Justice Department's attention, they are not going to dismiss it" without investigating, she added.

The investigation comes ahead of an election year in the US, when producers have traditionally looked to the greater demand for newsprint to raise prices.

Mr Robert Duncan, a paper industry analyst at Deutsche Bank in Toronto, said he did not expect the investigation to turn up evidence of price-fixing. "The industry is very, very careful to avoid discussion of pricing," he said.

Malaysian budget plans to cool property market

By Kieran Cooke in Kuala Lumpur

Malaysia says it will review the implementation of a number of multi-billion-dollar infrastructure projects and take steps to cool a rapidly expanding property market in order to tackle a widening current account deficit and moderate overall economic growth.

Mr Anwar Ibrahim, the deputy prime minister and minister of finance, announcing the coming year's budget, said yesterday Malaysia's economy was likely to grow 8.5 per cent in 1996, compared with 9.6 per cent this year.

He said a current account deficit forecast at M$18.1bn ($7.2bn) this year was a natural consequence of growth in a fast developing country such as Malaysia.

The current account deficit has been viewed with alarm by many investors who fear Malaysia's economy is overheating. Mr Anwar forecast the deficit would come down only slightly in 1996.

Those who believed Malaysia was in economic and political crisis used the foreign media as a source of information, Mr Anwar said. Capital imports associated with infrastructure development made up much of the deficit, he said. He did not detail what projects might be rescheduled.

Analysts say the government is clearly worried about overheating in the property sector. Mr Anwar said much of a recent rapid increase in housing prices was caused by foreign purchases.

He announced a levy of M$100,000 on foreign property purchases and heavy financial penalties for foreigners who sought quick resale of houses and apartments.

Mr Anwar said the country had to boost its services sector and could not depend entirely on manufacturing for growth.

As part of an effort to cut consumption spending, he announced a 25 per cent road tax increase for larger cars and a rise in credit card charges. Contributions made by employees to a compulsory state savings scheme were also raised. Individual income tax was cut, with the top rate coming down from 32 per cent to 30 per cent.

Tokyo consumer prices in biggest fall for 39 years

By Gerard Baker in Tokyo

Consumer prices in Tokyo recorded their largest fall for 39 years this month, although officials and economists dismissed the fall as a temporary phenomenon.

Prices in the capital, which are normally regarded as a reliable guide to the direction of future prices nationwide, dropped 0.8 per cent compared with a year earlier.

The main factor was a steep fall in the prices of foodstuffs. Fresh vegetable prices fell 13.2 per cent as the effect of a sharp rise in prices in October 1994 fed through to this year's figures. In October last year food supply was adversely affected by uneven weather conditions and prices rose steeply.

Excluding the volatile figure for foodstuffs, consumer prices fell 0.2 per cent, a figure that suggests the economy is experiencing milder but continuing deflationary pressures.

Nationwide, prices in September rose 0.2 per cent on a year earlier, up from a year-on-year decline of 0.2 per cent in August.

Economists expect prices to pick up gradually. "Over the coming months the weaker yen will dampen inflationary pressure, and prices will move towards stability and beyond," said Mr Dick Beason, senior economist at James Capel Pacific in Tokyo.

Other statistics published yesterday showed that industrial production declined in September, further evidence that the nation's economy remains stagnant. Factory output fell 1.7 per cent from the previous month, as production of cars and other transport equipment slumped.

The fall brought the rate of decline for the third quarter to 2.3 per cent from the preceding three months. It was the first quarterly decline in nearly two years.

Output of transport equipment fell 7 per cent on the preceding month, driven lower by sharp falls in production of cars and trucks.

But officials at the Ministry of International Trade and Industry expressed optimism that the drop would be reversed in the next few months.

"Production continued weak in September but we are expecting the effects of brighter factors, like the new economic package and the yen's downswing against the dollar, to appear in the nation's output in the coming months," said Mr Harumi Takahashi, head of Miti's statistics and analysis division.

Chicago prepares to deal with Eurotrash

As trade in recyclables grows, **Laurie Morse** looks at the junk bonds with a difference

Euromarkets will soon be littered with "Euro rubbish" if the Chicago Board of Trade has its way. The 150-year-old exchange, which began as a grain market and is dominated by high-tech financial instruments, has launched a market for recyclable trash.

In the exchange's first transaction last week, paper giant Weyerhauser agreed to purchase 100 tons of old newspapers from the upstate New York village of Oswego for $90 a ton. Weyerhauser intends to ship the load to a mill in Italy, were Oswego's old news will be turned into fresh newspaper stock for the Italian market.

Marketmakers on Chicago's Recyclables Exchange are currently offering to buy or sell 33 loads of old newsprint, two different grades of recovered plastics, and several loads of recyclable glass.

Other recyclables apart from these three main materials are listed on a "miscellaneous" page on the exchange's electronic bulletin board. At present, two different entrepreneurs are offering to sell 100,000 lb of granulated rubber (old tyres) for 12 cents a pound, and half a ton of plastic used to seal shipping boxes is being offered at 2 cents a pound.

A kind of giant "flea market", the CBOT's electronic bulletin board for recycled materials is intended to introduce some quality standards and organisation into the $6bn-a-year market in the US. With enthusiasm for recycling growing in US communities, and more manufacturers investing in mills to process recovered materials, a moderating factor is needed to smooth out the boom-and-bust cycles of the recycling industry.

"The parallels at the CBOT with the grain markets 150 years ago are striking," says Mr Dan Kemna, manager of recycling for WMX Technologies, the international waste-disposal group.

"There is still a lot of confusion in the recyclables markets, lack of standardisation, supply gluts and shortages, and volatile price swings. A central marketplace might be able to moderate the effects of some of those factors."

For CBOT officials, it was not hard to recognise treasure in the rubbish heap. Prices for old newsprint rose so high in June this year that a truckload of old newspapers became as valuable as a truckload of corn. Cities such as Toronto and Los Angeles had to crack down on scavengers trying to pirate newspapers left on the side of the road for city recycling trucks.

Then, with a volatility rivaling the foreign currency markets, prices for old newsprint crashed from about $120 a ton to about $30 this week. Paper brokers say the crash was typical of a cyclical industry, but to commodity traders such price swings spell opportunity.

The CBOT does not expect immediate profits from the venture – companies are being charged just $1,000 for a year's access to the recyclables exchange – but it sees a potential futures market in the making.

"The CBOT started out as a cash market," says Mr Patrick Arbor, exchange chairman, "We will try to add value here, and hope to trade futures and options contracts sometime down the line."

A few scrap business old-timers say the CBOT is introducing an unnecessary middleman into their industry, and predict the recyclables exchange will die from lack of use. They say if stable markets develop for recovered paper, glass, and plastic, as they have for scrap metal, spot jobbers will not need an exchange to locate buyers.

However, Mr Pete Grogan, the Weyerhauser executive who bought Oswego's old newsprint, says the exchange will be a valuable resource to a fibre-hungry global paper industry.

"The low-hanging fruit on the worldwide recycling tree has already been picked," says Mr Grogan. "New mill capacity for 10m tons of recycled paper will come on line by the end of next year, and we will need to pick higher up in the branches to meet that demand."

For smaller municipalities which often find themselves at the mercy of local commercial haulers, the exchange will give a better indication of market conditions, and provide alternative markets.

Just having a listed market in Chicago could change consumer perceptions of what they throw away, says Ms Jennifer Goff, managing editor of Recycling Times Magazine.

"Right now, the general public thinks of recyclables as junk, but if they begin to think of these things as valuable commodities, thats when we'll begin to see a steady growth in recovered materials."

Trans-national consortium wins TV licence

By Raymond Snoddy

The UK's fifth national television channel was awarded yesterday to Channel 5 Broadcasting after the Independent Television Commission rejected the programme plans of two of the four bidders for the licence.

The winning consortium is composed of MAI, the broadcasting and financial services group; Pearson, the media company that owns the Financial Times; the Luxembourg-based international broadcaster CLT; and Warburg Pincus, the US investment bank. Its bid of £22,002,000 (about $34,500,000) a year for the licence was £14.6m lower than the highest offer.

Channel 5 Broadcasting will launch the new service, which will include a new daily popular drama, news from Independent Television News and programmes for leisure and learning, to about 70 per cent of the UK population on January 1 1997.

Both UKTV, a consortium put together by the Canadian broadcaster CanWest, which bid £36.6m, and Virgin Television, which exactly matched the Channel 5 Broadcasting bid, were told they had failed the programme quality threshold – mainly because they had not offered enough high quality programmes "to cater for a wide variety of tastes and interests." *The schedules of both were heavily* dominated in prime time by popular drama and entertainment.

Channel 5 Broadcasting and New Century, *a consortium led by British* Sky Broadcasting and Granada, which bid £2m a year, were the only bidders to satisfy all the ITC's requirements. Under the rules, the licence goes to the highest qualified bidder.

UKTV and Virgin, angry because their programme plans had failed to meet the quality threshold, said they were consulting lawyers to see whether the decision could be challenged in the courts.

Mr Robert Devereux, chairman of Virgin Television, said: "I think the decision is unjustifiable. We will be *producing a document on Monday* that rebuts it point by point."

Virgin, whose shareholders include Associated Newspapers, publisher of the Daily Mail, and HTV, the ITV company, was particularly upset because ITC said it had a limited range of suppliers of both original and acquired *programmes. It said:* "We have 41 suppliers, twice as many as Channel 5 Broadcasting."

Mr John Fairley, UKTV chief executive, expressed surprise that it was criticised for not planning to show feature films when it wanted to show British-made programmes instead.

The ITC was particularly critical of UKTV, which it pointed out proposed to repeat 50 per cent of its output throughout the licence period.

Sir George Russell, ITC chairman, denied that the bidding process had turned into a beauty parade. Exercising discretion on programme quality was "slap bang in the middle of our job", he said.

The award was another victory for *Mr Greg Dyke*, chairman of Pearson Television, who headed the Channel 5 Broadcasting bid. He had previously helped to revive the fortunes of TV-am to *retain London Weekend* Television's licence in the ITV auctions.

The British Video Association criticised the winning bidder's plans for retuning about 4m video recorders likely to suffer interference from the Channel 5 signal. The BVA said the £55m set aside to tackle the problem was not enough.

Tory chairman sets out Euro-sceptic credentials

By Robert Shrimsley, Lobby Correspondent

Britain is ready to be isolated in Europe to defend national interests, Mr Brian Mawhin*ney, the Tory chairman, said* last night in a speech in the prime minister's constituency.

His words were was seen as *confirmation of the Conserva*tive's intention to chart a more Euro-sceptic course and use the issue to put clear distance *between themselves* and Labour.

Mr Mawhinney's comments have added pertinence, coming prior to arrival at Chequers tomorrow of President Jacques Chirac of France for a summit with the prime minister.

Among the subjects on the agenda are the timetable for a single currency, following the prime minister's growing doubt that it can become a practicality this century. Foreign Office sources said this was likely to be the last meeting between the two men in advance of the next *EU* summit in Madrid in December.

President Chirac will be accompanied by his ministers *for economic affairs, foreign* affairs, defence and transport. All will hold bilateral meetings with their British cabinet oppo*site numbers on Monday.*

Speaking to a party meeting in Mr John Major's Huntingdon seat, the party chairman derided comment from Mr Tony Blair, leader of Britain's opposition Labour party, that he would never allow the country to be isolated in Europe.

"True leadership is about facing the possibility of isolation if ultimately that is what our national interest demands. True leadership occasionally requires saying no when others want to move ahead.

"Being willing to be isolated – if all else fails – does not equate with weak leadership," he added.

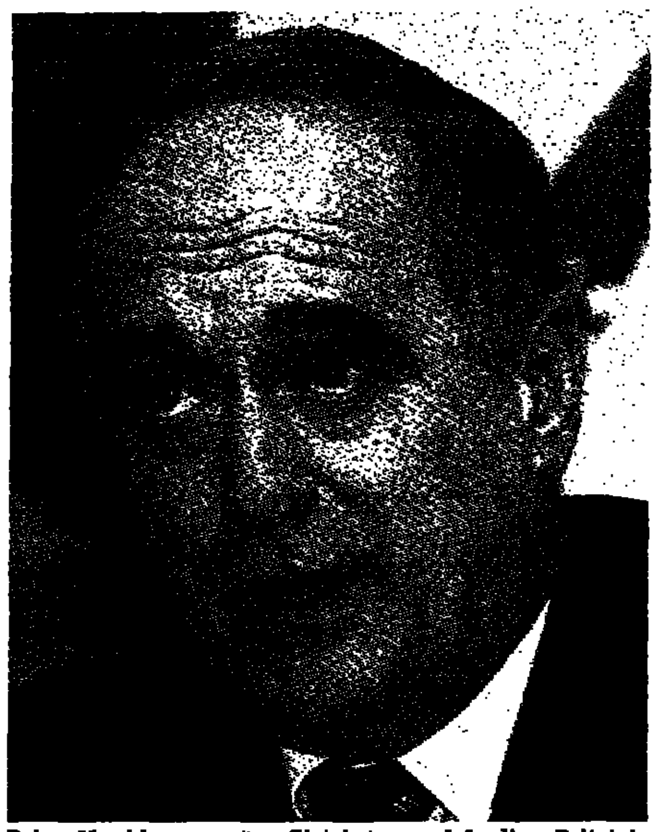
Mr Mawhinney said that Mr Blair's views would likely make him popular in other European capitals but not in *the UK.*

"He is prepared to sacrifice Britain's interests for the hollow cheers of those who are *our competitors* as well as our partners.

"The people of this country recognise that there is a fundamental he added.

Mr Blair will seize on Mr Mawhinney's comments in a speech in Glasgow today. He is expected to say the comments are further proof that the Tory party has "lurched to the right".

"As the price of unity they have surrendered the agenda to the right. His remarks were pathetic and immature and show they are incapable of governing in Britain's interests," he will say.



Brian Mawhinney: a "conflict between defending Britain's interests and a refusal to allow this country to be isolated."

Bank governor upbeat on growth

By Robert Chote, Economics Editor

Mr Eddie George, the governor of the Bank of England, said yesterday that he expected the pace of economic growth to pick up next year and that he was "not at loggerheads" with the chancellor on economic policy.

Mr George said at the British Chamber of Commerce in Tokyo that he expected the UK economy to record growth of between 2.5 per cent and 3 per cent in each of the next two years. This is marginally more upbeat than the governor's previous predictions.

He added that the Bank still expected underlying inflation – which excludes mortgage interest rates – to be above the target of 2.5 per cent or below, which the government has set itself in two years' time, unless interest rates rise in the meantime.

But the governor added that he was having a "narrow debate" with Mr Kenneth Clarke, the chancellor, about base rates.

He added that it was a technical debate about whether inflation could be reduced within the narrow range and added that he and the chancellor were not at loggerheads.

Mr Clarke meets Mr George on Wednesday for their monthly discussion on interest rates.

They are expected to leave rates unchanged, preferring to wait at least until after the publication of the Budget on *November 28. before deciding* on a changein rates.

Officials at the Bank of England will meanwhile spend next week *putting the* finishing touches to the latest inflation report which will be published in the following week.

This week's gross domestic product figures and quarterly industrial trends survey from *the Confederation of British* Industry were the last important pieces of information to be incorporated in it.

The "six wise men" who advise the chancellor on economic policy will publish their latest report next week. They are expected to warn against excessive tax cuts but to leave open the door for interest rate reductions if they are needed to boost the economy.

Plenty to ponder, Page 8

UK NEWS DIGEST

Gas grid price increase set to be reviewed

British Gas is to review a price rise it wanted to impose in December on gas shippers which use its monopoly pipeline company.

TransCo, *the British Gas* division that operates the national gas grid, yesterday said it had "not capitulated" to demands by independent shippers to rescind the proposed rises, which averaged about 10 per cent.

But it will "revise" the increases *after opposition* from the shippers and a threat by Ms Clare Spottiswoode, director-general of the gas industry regulator Ofgas, to veto the rises.

Some shippers are suspicious that British Gas is trying to undercut the independents in the run up to the introduction in April of competition in the gas market.

There are 30 to 40 independents who use the TransCo pipelines, along with the supply divisions of British Gas.

Some shippers questioned how TransCo could propose a price increase, when the company is obliged by Ofgas to limit its annual price rises to the retail price index minus five percentage points.

TransCo says the rises are justified under the terms of the price formula. In a recent letter to Ms Spottiswoode, TransCo noted that Ofgas took part in four months of detailed talks with the company, during which Ofgas officials approved of the way in which the rises were calculated.

The company said it was surprised Ofgas only opposed the increase after representations were made to Ms Spottiswoode by the independents.

Some shippers this week claimed that Ms Spottiswoode overruled Ofgas staff as a result of their lobbying. But they contend that service from TransCo is so poor that no increases can be justified. *Robert Corzine*

Siemens' plant contract awarded

The design and management contract to develop the first phase of Siemens' North Tyneside £1.13bn semi-conductor manufacturing plant, one of Britain's most prestigious new construction projects, has been awarded to Sir Robert McAlpine, in a joint venture with Hochtief, the German construction company.

McAlpine's success in winning the £180m plus contract comes only weeks after the company won the design and management contract for Fujitsu's £816m expansion of its County Durham microchip plant.

McAlpine yesterday said its expertise in building semi-conductor facilities had brought it contracts in England and Scotland worth more than £600m in total since it began working for Fujitsu in County Durham six years ago.

Mr Andrew McAlpine, north-east England director of McAlpine, said the joint venture with Hochtief, which has already worked for Siemens in the UK, represented good Anglo-German co-operation.

More than 1,500 people will be employed at the peak of construction. Mr Heinrich Hamann, the financial project manager of Siemens Semiconductors Group, said the timescale for the new plant was tough – to meet exceptional worldwide demand for semiconductors – but achievable.

The completion target is November 1996. Production is due to start by mid-1997. The plant will produce application specific integrated circuits (Asics), used in mobile phones, telecommunications equipment, smart cards and multimedia applications. Its first two phases will employ 1,800 people. *Chris Tighe*

More travel agents collapse

There has been a sharp increase in the number of British travel agents which have collapsed. In the three months to the end of September the number of failures rose by 46 per cent compared with the same period last year.

The Association of British Travel Agents (Abta) *said that* 35 travel agents had failed in the three months to the end of September, compared with 24 in the same period last year. A further seven agencies have collapsed this month.

Since 1989 the record year for failures was July 1992 to July 1993 when 123 agents collapsed; this eased to 97 the following year and fell again last year (July 1994-1995) to 74 failures.

Mr Keith Betton, head of corporate affairs at Abta, said that *the seasonal bulge for failures had come earlier* this year, in July instead of September, but he doubted whether the number of failures would equal those in 1992-93. The three months to September traditionally claim the highest number of failures since this is when travel agents have to settle their bills. The industry is not expecting any increase on the 10m summer holidays sold by travel agents this year, especially since prices for next summer's holidays are an average 10 per cent *higher than* this year. *Scheherazade Daneshkhu*

Stadium choice in balance

Detailed plans for a British national sports stadium were yesterday presented to the Sports Council, which will next week announce its favoured site for the new 80,000-seat arena.

Five rival bidders have made submissions for National Lottery funds to build the complex, which would be the centrepiece for any future UK bid to stage the Olympic Games and other international track and field events.

The cities competing for the site are London, based on a complete reconstruction of Wembley Stadium, Manchester, Birmingham, Sheffield and Bradford. The Sports Council will announce its decision on Tuesday. Frontrunners are thought to be Wembley, Manchester and Bradford. *Tim Burt*

Biotech company secures approval for first drug

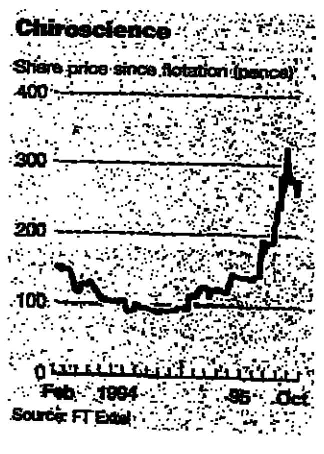
By Daniel Green

A member of the "brat pack" of UK biotechnology companies floated on the London Stock Exchange *two years ago* yesterday won its first regulatory drug approval. This sets the stage for a series of product launches *over the next few* years from the four biggest biotech companies.

Cambridge-based Chiroscience *yesterday saw* its shares rise in London 22p to 278¼p when its pain-killer Dexketoprofen was approved in Spain, a move expected to lead to approvals elsewhere in Europe. The company was floated in 1994 at 150p.

The prices of several other "brat pack" companies have hit record highs recently as their products have passed the increasingly rigorous clinical trials required by medicine regulators.

Chiroscience *was the brain*child of Mr Chris Evans, a microbiologist-entrepreneur, who remains a non-executive director *and owner* of 4.2 per cent of the company. Another of his companies, Celsis, was floated in 1993 at 100p a share, and recently hit a high of 140p.



Chiroscience *specialises* in making "chirally pure" compounds, separating a mixture of two molecules that are mirror images of each other. The idea is to use the mirror image molecule that is the true active ingredient, while discarding the other which may cause side-effects or slow the drug's action. Dexketoprofen is a "right-handed" version of an older drug, ketoprofen, which is used worldwide. The new drug should be launched in Spain this year, and *in the rest* of Europe next year or early 1997.

The drug could have world sales of £75m a year, according to pharmaceuticals analysts at Lehman Brothers, the securities house. Chiroscience will receive royalties on the sales, having sold marketing rights to an Italian company Menarini.

Chiroscience hopes its next product to be *approved* internationally will be levobupivacaine, a version of the anaesthetic bupivacaine which *should have fewer* side-effects.

Product approvals from the rest of the youthful biotechnology sector could follow.

For example, Scotia, floated in 1993 at 290p and now trading at 617p, has two products being studied by regulators. They are a treatment for pancreatic cancer and for the nerve damage suffered by some diabetics.

British Biotech, floated in 1992 at 425p, could have a product approval in cancer treatment next year – its shares closed *last night* at 885p –, while Celltech, which came to the market in December 1993, is unlikely to have its first medicine on sale until 1999.

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COMPANY NEWS: UK

Govett & Co hobbled by Endeavour lawsuit

By Norma Cohen, Investments Correspondent

Interim profits at Govett and Co, the international fund management company, nearly halved as it suffered a lawsuit that thwarted expansion plans and challenged the integrity of the company and Mr Arthur Trueger, its executive chairman.

Mr Trueger issued a profits warning late yesterday afternoon, saying the effect of the suit was continuing. "In the meantime, despite our best efforts, we cannot be confident about the company's prospects for the full year."

Mr Trueger said the company was examining ways to use funds raised from the sale of its fund management businesses for a share buy-back.

Pre-tax profits for the six months to June 30 fell to $14m (£8.8m) against $27.3m. There was an exceptional charge of $3m relating to the lawsuit. Operating income slipped from $20.1m to $18.6m. The interim dividend is maintained at 11 cents, payable from earnings of 18.6 cents (35.7 cents).

Profit on investments fell to $52,000 ($9.8m).

Mr Michael Mayer, chairman of Govett Asset Management, a division of Govett and Co, said the drop reflected the effects that fighting a lawsuit from American Endeavour Fund, an investment trust formerly managed by Govett, was having on management. The venture capital activities of Govett figured heavily in the lawsuit and the management of that unit was spending all its time on legal matters instead of pursuing sales of businesses in the portfolio, Mr Mayer said.

Funds under management rose from $5.8bn to $6.7bn, although income declined from $13.6m to $12.2m. The adverse publicity from the lawsuit had made it impossible to raise new funds which provided upfront fee income, Mr Mayer said.

The lawsuit alleged fraud, unjust enrichment and constructive fraud, among other things, and had been thrown out of California state and federal courts on jurisdictional grounds, following legal efforts by Govett and was now being brought in the Jersey courts, Govett said.

It alleged, among other things, that when Govett was fund manager for AEF, it had invested in companies in which Govett and Mr Trueger personally held interests, and that its funds were used for redemption of fixed interest securities owned by Govett and Mr Trueger. Among other allegations, the suit claimed that the small companies in which AEF invested had paid "consulting" fees to Govett which were disguised payments of commitment fees which, by contract, should have gone to AEF.

The lawsuit, filed in February, forced Govett to abandon its agreement in principle to acquire the fund management businesses of US-based Duff & Phelps Corp.

Govett said it was pursuing a libel action in London against AEF and was considering where it would file another claim for damages against AEF.

A critical and hazardous case to argue

T&N starts its defence against Chase's $185m claim, writes Tim Burt

On Monday, New York attorney Mr Kenneth Warner will have precisely one hour and 15 minutes to outline the defence case for T&N in what is, arguably, the most important legal hearing in recent years for the British engineering group.

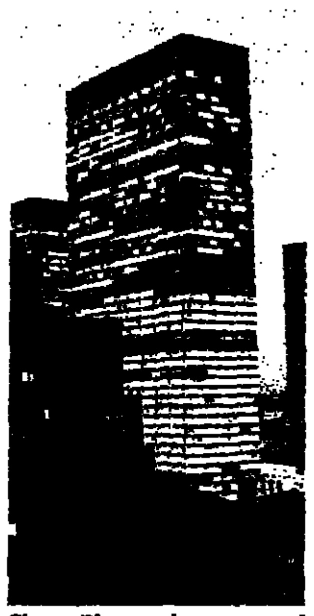
Mr Warner is likely to accuse Chase Manhattan Bank, which is suing T&N for $185m (£117m) over alleged contamination of its New York headquarters, of waging a campaign to undermine the company, which as Turner & Newall was Britain's largest asbestos producer.

Not only will he criticise Chase for bringing an action over the material which the bank itself ordered and has no immediate intention of removing, but he will also accuse the bank of supplying thousands of T&N documents to lawyers fighting separate personal injury cases in the UK.

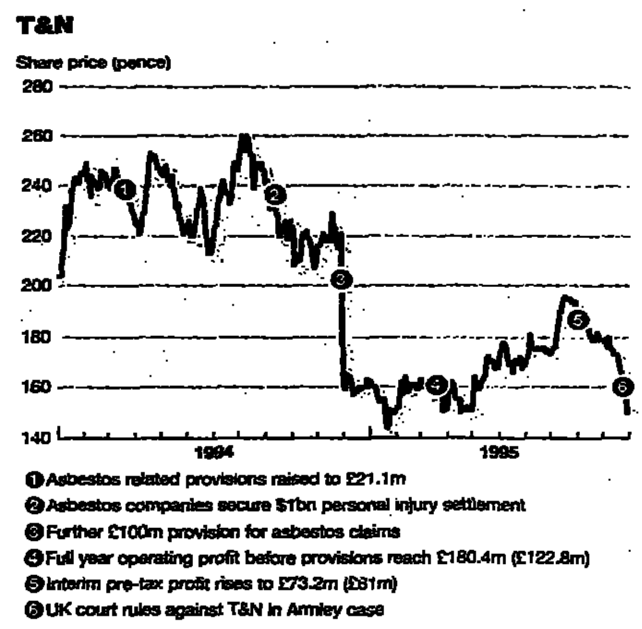
He will argue that T&N – which yesterday lost an important personal injury case in the UK – was not aware of the hazards of asbestos when it supplied the material during construction of Chase Manhattan Plaza and could not, therefore, be sued for alleged fraud and negligence.

Mr Warner is no stranger to controversial actions: he defended Mr Joseph Jett, the government bond trader accused of generating $350m of false profits at Kidder Peabody, the Wall Street brokerage; and last year he represented a health coalition urging the US senate to impose higher taxes on tobacco companies.

Chase has hired an equally combative attorney to fight its corner. Mr Arthur Liman, who is leading the bank's legal team, rose to fame questioning Colonel Oliver North during the senate hearings on the Iran-Contra affair, and also defended Mr Michael Milken, the disgraced junk bond trader.



Chase Plaza, where sprayed limpet asbestos was installed



Source: FT Extel

Mr Liman will tell the court that T&N defrauded Chase and acted negligently by not warning the bank of the potential asbestos hazards. It claims the British company was fully aware of the dangers before installing sprayed limpet asbestos on 51 of the 60 storeys at Chase Plaza in 1959.

The Chase legal team is confident it will win, so much so that this week it claimed a preliminary victory by persuading Judge John G Koeltl to reject a T&N claim for summary judgment dismissing the case.

Judge Koeltl said Chase could pursue T&N for "negligence, strict liability, fraud, restitution, indemnity and public nuisance".

T&N, however, accused Chase of deliberately overplaying "legal skirmishes" and pointed out that the bank's claim for breach of express and implied warranty and private nuisance was dismissed.

The UK company said it never expected to win at this stage and was fully prepared to contest the case before a New York jury.

Nevertheless, the case has unsettled shareholders and City analysts, who until now had expected T&N's asbestos problem to unwind. Fears, however, that Chase could win and that yesterday's UK legal ruling would unleash a wave of further asbestos claims have knocked 11 per cent off the share price this week.

The share price fall comes on top of the sharp decline last November when T&N announced a surprise £100m provision to cover payments to US claimants taking part in a $1bn class action for personal injury cases.

While failure to win the Chase case and the prospect of new personal injury cases in the UK would undoubtedly be a blow to T&N, the company is unlikely be terminally wounded by the asbestos issue.

It has insurance cover to offset at least part of the Chase damages, and £100m of unused provisions to cover further asbestos claims. It also plans to set aside £50m this year and another £50m next for any additional payments.

Talk of T&N's demise, therefore, would be exaggerated. But the current management – which inherited the asbestos problems long after the company ceased production of the material – is not sanguine.

Veteran chairman Mr Colin Hope admits to agonising over asbestosis and says the company has always settled where there was a clear case to answer.

Also, T&N has expanded rapidly away from asbestos by investing in automotive engineering, an industry which, according to Mr Hope, has generated vital profits to cover some of the asbestos payments.

Had it fully understood the risks of asbestos and failed to develop a high-margin engineering business, the alternative would probably have been receivership.

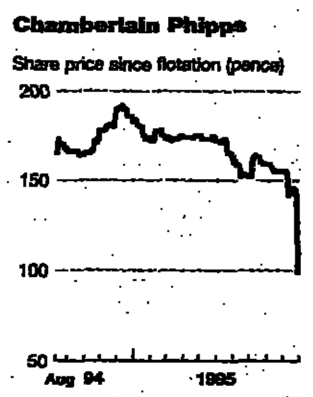
That is not a view endorsed by Chase, where lawyers have sifted through thousands of internal T&N documents, obtained under discovery rulings. Mr Michael O'Connor, senior associate counsel and vice president of Chase, claims those documents show that Turner & Newall knew it was selling a deadly material as early as the 1930s.

He predicts shareholders will be dismayed by the evidence in those documents, which until recently were gathering dust in a warehouse near T&N's Manchester headquarters. A New York jury, he suggests, will be equally unimpressed.

T&N is undeterred and says it has been vindicated by yesterday's UK judgment which, according to the engineering group, casts doubt on claims that it knew all along that asbestos kills.

Chamberlain Phipps shares slide 35p as trading 'deteriorates'

By Patrick Harverson



Source: FT Extel

Shares in Chamberlain Phipps lost more than a quarter of their value yesterday after it warned that its interim and annual profits this year would come in below last year's.

The shoe materials and footwear group issued the profits warning because of an unexpected fall in orders from customers in the UK, France and the US, its largest markets. The news sent Chamberlain's shares plunging 35p to 93p.

The group was floated only 15 months ago when the shares were issued at 165p.

Mr Dan Sullivan, chairman, said the deterioration in its trading position began in July. Initial orders for the autumn season had been satisfactory.

However, since the summer orders for basic shoe components – which make up 60 per cent of the group's annual sales and are used in the manufacture of low to medium-priced shoes – had fallen, in some product lines by as much as 20 per cent.

Mr Sullivan said the decline in autumn season orders between August and October had been particularly damaging because the group earned its biggest margins on such "in-season" sales.

He blamed the problem on falling consumer spending. This affected Chamberlain indirectly in the UK and US, where it supplies components for shoes, and directly in France where it sells its own manufactured shoes.

The group was not alone in suffering from the fall in demand. "I've talked to our competitors and they have all experienced the same thing," Mr Sullivan said. It had temporarily laid off about 50 of its 1,200-strong workforce affected by the slump in orders.

Although orders for the spring season were said to be running at levels similar to a year ago, Chamberlain does not expect spring sales to be able to make up the autumn shortfall. Consequently, full-year profits are not expected to match the £12.4m result for the year to April 1 1994.

Warning on profits hits Hewetson

By David Blackwell

Shares in Hewetson plunged yesterday as the building trade supplier warned that this year's profits would be "substantially below" market expectations.

The shares fell 18p to 42p.

The group warned in June that raw material price rises for steel and chipboard were affecting its performance in the first quarter, particularly at Hewetson Floors.

Yesterday it blamed the latest setback on a sudden slowdown in new housebuilding, which had already hit its timber windows manufacturer and was expected to affect its internal joinery division soon. However, trading in other subsidiaries was buoyant, with some evidence of price increases.

In the year to the end of March the group more than trebled pre-tax profits from £407,000 to £1.43m on sales of £43.9m.

Mr Bernard Murphy, finance director, said the group was not dependent on any single housebuilder, but served many customers. "Housebuilding has slowed down very quickly," he said.

More than 20 jobs out of a total of about 130 had been shed at Bennett Windows. Thomas Lowe Joinery, which employs just over 40, is also expected to reduce its workforce.

The UK's growing epidemic that will kill thousands

By Clive Cookson, Science Editor

The UK is suffering from a growing epidemic of asbestos-related disease that will kill about 3,000 this year and is likely to peak at 5,000 to 10,000 deaths a year around 2020. The epidemic is a legacy of heavy use of asbestos, particularly in construction, that peaked in the mid-1960s and continued into the 1970s.

Three fatal lung diseases can be caused by breathing asbestos. Each has a delay of years between exposure and symptoms.

- Mesothelioma: a cancer of the linings of the lung and chest, almost always associated with asbestos exposure.
- Conventional lung cancer: can be caused by asbestos as well as smoking, radon gas and other carcinogens. Asbestos-related lung cancer is difficult to distinguish from other cases.
- Asbestosis: progressive fine scarring of the lungs. Although not a cancer, it leads to disability and death.

Professor Julian Peto of the Institute of Cancer Research in London, who has led the medical study of asbestos-related disease, expects the epidemic to be most serious among men born during the 1940s. They were exposed to high levels of asbestos when working in the building trades, including plumbing, carpentry and electrical work, and are likely to suffer associated diseases as they age.

Prof Peto and his colleagues estimate mesothelioma accounts for about one third of asbestos-related mortality in the UK – more than 1,000 deaths a year now and a projected peak of 3,000 deaths a year around 2020.

In the US, in contrast, industrial use of asbestos peaked in the 1940s and the associated epidemic is now declining.

Wellington to double funds at Lloyd's with £17.3m rights

By Ralph Atkins, Insurance Correspondent

Wellington Underwriting, the Lloyd's of London corporate investment vehicle, is doubling its funds at the insurance market by way of a £17.3m rights issue.

The 1-for-1 issue at 100p a share is fully underwritten by some existing shareholders as well as potential new investors, including Commercial Union, the composite insurer, which is underwriting £3m. The funds will be added to the £17.3m raised at last year's launch.

The company also said it expected to begin discussions next year on a possible merger with Wellington Underwriting Holdings, a holding company which, after the rights issue, will control 15 per cent of WU. The holding company owns the Wellington managing agencies which run the Wellington insurance syndicates.

The shares firmed 5p to 99p.

A merger – permitted under changes to Lloyd's rules this year – would create a nascent insurance company under the Lloyd's umbrella.

WU is keen to allow Names – individuals whose assets have traditionally supported Lloyd's – to convert their places on Wellington syndicates into shares in WU but a feasible scheme has yet to be devised.

In the past two years about £1.2bn has been raised for investing in Lloyd's on the basis of limited liability. Given the uncertainty surrounding the market's future and the pressures on insurers' profits around the world, a relatively small amount is expected to be raised this year.

WU invests in insurance syndicates managed by the Wellington agencies. It plans to convert from an investment company to a trading company. This is partly because the managing agencies are merging some of their syndicates so WU would no longer have the spread required by investment companies.

But Mr John Thomson, WU chairman, said the change "will give us greater flexibility in how we use our enlarged capital base to support the company's underwriting commitments for 1996 and beyond".

New owners end Mandarin's contract to manage the Ritz

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The Mandarin Oriental hotel group yesterday lost the management contract for the Ritz hotel in London which it was awarded in May 1994.

The loss of the contract comes after the purchase of the hotel for £75m by the Barclay brothers, the UK property tycoons, from Trafalgar House earlier this month.

Mandarin Oriental and Ellerman Investments, the holding company of the Barclay brothers, said they had reached mutual agreement to terminate the contract. Even so, it will be a great disappointment for Mandarin Oriental which had hoped to use the Ritz as a base to expand further into Europe. Its 11 other hotels are all in east Asia or the United States.

There was no word yesterday of whether the contract would be awarded to another company. Hotel analysts believed it was more likely that David and Frederick Barclay, who also own the Howard hotel in London, would choose to run the Ritz hotel themselves as an independent concern.

"They operate their hotels themselves and although the Ritz would benefit from an international affiliation from a marketing point of view, they may decide that its name is so famous that it sells itself," said one analyst.

Nor was there any indication of whether Mandarin Oriental might be compensated for the abrupt termination of the contract. Analysts said anything more than a nominal fee would be unlikely, given the circumstances of transfer of ownership.

Cordiant confirms plan to launch rights issue

Shares in Cordiant fell another 7p to 84p yesterday after the Saatchi & Saatchi holding company confirmed that its restructuring plans included a rights issue.

The issue is expected to raise about £120m, which will be used to clear the most expensive elements of the £130m of net debt.

Responding to press comment, the group denied that it was in breach of any banking covenants, but said it had "developed proposals for its financial requirements for the longer term. The company has put such proposals to its banks and is in the process of obtaining approval".

Mr Charles Scott, chairman, said the group had replaced much of the business lost in the first quarter of this year. Accounts won included Bell Atlantic, Royal Mail and part of Spillers pet food.

Littlewoods calls EGM to consider bid

By David Blackwell

Littlewoods, the retail and football pools group which is the UK's largest privately owned company, is to convene an extraordinary meeting in early December to consider the £1.2bn bid approach from Mr Barry Dale.

The group confirmed yesterday that it had received a letter of approach from Mr Dale, the former chief executive who was fired in March and who is now suing for wrongful dismissal.

The shares are entirely held by 32 Moores family members descended from Sir John Moores, the group's founder. While some younger family members are thought to be keen to realise the value of their stakes, a 75 per cent vote is required before a shareholder can sell to an outsider.

Mr Leonard van Geest, chairman, said yesterday that the board would be making no recommendation. While the letter valued the group at £1.2bn it was heavily qualified.

The only resolution would be a vote on whether the shareholders wanted to allow Mr Dale and his group to start due diligence proceedings.

Mr Dale's backers include venture capital groups Prudential, Electra, Candover Investments, Legal & General and Apax Partners. Banks including Chemical, Deutsche, Fuji and NationsBank have been lined up to assume Littlewoods' debts.

DTI water decision could be imminent

By Christopher Price

The protracted bid for Northumbrian Water by Lyonnaise des Eaux is set to drag into its 34th week, amid rumours that the Department of Trade and Industry report on the potential offer has been bogged down in Brussels.

However, the company's advisers and industry analysts believe a decision from Mr Ian Lang, the trade and industry secretary, will be delivered soon, perhaps next week.

Water shares have risen on the rumours, particularly since the French-owned water group met Mr Ian Byatt, the industry regulator, for a final round of talks before he made his recommendations to Mr Lang.

Mr Lang received the Ofwat report three weeks ago.

The stringency of its recommendations will have considerable bearing on other intra-company water mergers.

Most observers believe the chance of a bid from Lyonnaise are still high. It made its original announcement of intent in March, but declined to detail its offer before the automatic referral to the MMC had been processed. Ofwat advised the MMC that price cuts of between 15 and 20 per cent from customers bills would be required by 1999. Mr Lang accepted this and asked Ofwat for a further report.

Northumbrian's shares, which stood at 742p before the bid, traded above 900p during the summer, and have moved further forward in recent weeks. Yesterday, they closed at £10. Analysts expect Lyonnaise to accede to the DTI's demands and open the bidding at about £10.50 a share. Northumbrian is believed to be looking towards at least £12.

INTERNATIONAL COMPANIES AND FINANCE

Japan's engineers close to expectations at midway

By William Dawkins in Tokyo

Interim results from Japan's six leading heavy engineers and shipbuilders came in close to or slightly better than the market's expectations.

Three reported increased profits and sales over the six months to September though one, Sumitomo Heavy Industries, saw a tenfold increase in losses.

Several market trends underlie their performance: a revival in domestic demand for heavy machinery, which has in the past been an indicator of a rise in industrial investment; a growth in demand for power generating equipment in south-east Asia; and a continuing decline in defence orders.

The best profits performers increased margins by cost-cutting, increased procurement of cheap imported materials, and the redeployment of staff from mature businesses, such as shipbuilding, to profitable diversifications.

The worst performers were more exposed to sectors still in recession, such as mass-produced light machinery, which was the case with Sumitomo, or lumbered with shipbuilding contracts priced at the bottom of the cycle, which was the case with Kawasaki Heavy Industries. It was KHI's first interim profits fall in three years.

Best of the bunch was Mitsubishi Heavy Industries, also the largest in the sector, with a 26.2 per cent increase in recurring profits – before tax and extraordinary items – to a record Y79.17bn ($778m).

It has upgraded its profits forecast to a 16.7 per cent rise for the year. MHI owes some of that to foreign exchange gains on the dollar's rise since early August, after its descent to a unprecedented low of Y79.75 in April.

More important, MHI's machinery division – which sells both to domestic companies and east Asian power suppliers – led profits growth, with orders up 18.3 per cent in the interim period, twice the rate of increase of the overall order book.

Kawasaki Heavy Industries had a similar experience. Its machinery orders rose 12.8 per cent, more than double the rate of orders overall, as did Hitachi Zosen, with machinery orders up 20 per cent, against a 4.2 per cent decline in the total order book.

Hitachi Zosen, which is forecasting a 12.6 per cent rise in recurring profits for the full year, after a 19.3 per cent rise at the interim stage, owes its better-than-average performance to successful diversification. Like many Japanese companies, it has moved surplus staff into affiliates, where their costs do not show in the group accounts.

As a result, Hitachi Zosen's sales and administration charges fell to 6.5 per cent of turnover, from 7.7 per cent in the same period last year. Diversification into fields such as biochemicals, new materials and distributing pocket phones, are starting to contribute to profits, said Mr Peter Boardman, analyst at UBS Tokyo.

The laggards expect to catch up by the end of the year. Sumitomo revised up its break-even forecast by the end of the year, to a Y1bn profit, on the strength of increased cost-cutting and greater overseas procurement. KHI, meanwhile, says it will turn its interim profit decline to a 12.2 per cent increase by the year end.

That, however, is on the assumption, made by all six, that the yen will hold at something near its present rate of about Y100 to the dollar.

JAPANESE HEAVY ENGINEERS AND SHIPBUILDERS

	Recurring profits (Ybn)*	Change (%) year-on-year	Sales (Ybn)*	Change (%) year-on-year
Mitsubishi Heavy Inds	79.17	26.2	1,067.8	6.7
Kawasaki Heavy Inds	8.06	-28.1	381.9	-6.4
Ishikawajima-Harima HI	11.29	3.3	395.6	4.0
Sumitomo Heavy Inds	2.08†	940	106.7	-4.1
Hitachi Zosen	9.05	19.3	155.7	14.7
Mitsui Shipbuilding and Engineering	1.23	-6.9	116.5	9.1

*First half fiscal 1996 †Loss Source: Companies

Wella shares dive on profit warning

by Wolfgang Münchau in Frankfurt

Ordinary shares in Wella, the German haircare and cosmetics group, yesterday plunged 13.3 per cent to DM880 after an exceptionally blunt profit warning in which the company detailed a whole series of problems, including "management error" in one of its foreign divisions.

Wella preference shares fell by 14.7 per cent to DM860.

Yesterday's developments come a month after the resignation as chairman of Mr Peter Zühlsdorff, who left over "irreconcilable differences" with the majority family owners. The resignation of the former chairman has led to confusion among investors about the company's future strategy. Before Mr Zühlsdorff's resignation Wella shares had traded at about DM1150.

In its profit warning, the company said the "results would be significantly below those of the previous year". This was followed by a harrowing analysis of problems in various business areas and country operations.

Wella conceded that the concentration of its European production operations has "led to unforeseen temporary difficulties", including higher manufacturing costs through outsourcing of production, and higher finance and storage costs.

The company also reported difficulties in China, where "the loss will exceed revenues". In Russia, the company suffers from "bad debts, excessive inventories, an overblown administration and faulty structures in the area of logistics".

"Here we have a clear case of management mistakes locally that have since been recognised and rectified," Wella said.

The company also suffered from an "unexpectedly large collapse" in the UK market, a result of a weak demand and strong competition, although it expects to return a profit in its UK operations in 1996.

In the US, Wella was forced to change distributors "because of structural changes in the market and because of mergers among competitors". This had resulted in a loss of revenue, which the company will not be able to recover during the remainder of the year.

The problem in the various markets and countries were compounded by the appreciation of the D-Mark, according to the statement. The weakening of the Italian lira, the peseta, sterling and the US dollar had an accumulated revenue effect of more than DM100m ($71.3m) as of September 30.

In 1994, Wella announced a 19 per cent rise in net profits to DM126.5m on sales of DM3.4bn. The company, which until recently was widely considered to be among the most rock-solid in its sector, said it expected profits to increase significantly again next year.

The management does not intend to cut dividends this year, which in 1994 came to DM13 per ordinary share and DM14 per preference share.

Sluggish sales behind setback at Shiseido

By Emiko Terazono in Tokyo

Shiseido, the leading Japanese cosmetics maker, posted its first interim profit fall in three years due to sluggish sales especially in its luxury line.

The company's unconsolidated recurring profits for the first half to September fell 6.3 per cent from the previous year to Y14.9bn ($146.4m) on a 5 per cent decline in sales to Y187bn. After-tax profits declined 6.2 per cent to Y7.3m.

Sales of cosmetics fell 7.4 per cent to Y130.2bn due to sluggish consumption stemming from the prolonged recession. Revenue from toiletry items such as soap and shampoos fell 2.7 per cent to Y44.5bn while sales of salon products, foods and drugs fell 4 per cent to Y12.3bn.

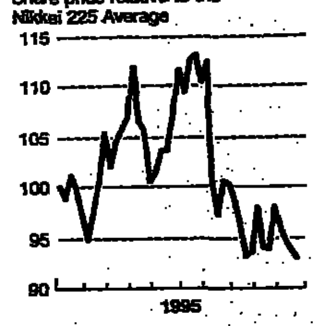
The company faces further pressure from the structural changes in the cosmetics market as an increasing number of supermarket chains have started to discount products. Cosmetics makers have started to increase products for their low-end cosmetics line for the bulk retailers.

Sales and profits for the full year to next March are expected to fall for the first time since 1987. Shiseido expects recurring profits to drop 6.8 per cent to Y30.8bn while sales are forecast to fall 3.5 per cent to Y380bn.

Although after-tax profits are expected to decline 2.5 per cent to Y14.5bn, the company plans to maintain its dividend payment at Y12.5 per share.

Shiseido

Share price relative to the Nikkei 225 Average



Source: FT Extel

Johnson & Johnson bid war ends up in court

By Richard Waters in New York

Johnson & Johnson's hostile bid for Cordis, a maker of cardiology equipment, spilled over into the courts this week as the US healthcare company sought to overturn Cordis's anti-takeover defences.

The New Jersey-based healthcare giant said late on Thursday that it had challenged an arrangement adopted by Cordis known as a "dead hand" pill.

Under this provision, which the company had revealed in a regulatory filing the day before, only Cordis's current directors have the power to amend its anti-takeover defences, even if they are removed from office.

If upheld by a court, this would prevent Johnson & Johnson from gaining control of the company, even if it succeeded in having its own candidates appointed to the company's board. The company said the provision was "clearly invalid" under corporate law in Florida, where it is located.

Earlier this week, Johnson & Johnson moved to overcome a delaying tactic inserted by the Cordis board to hamper its approach to the company's shareholders.

Cordis instituted a provision requiring at least 20 days' notice before Johnson & Johnson can solicit the support of other shareholders for its campaign to oust the company's directors.

The healthcare group formally registered its interest on Tuesday, setting the 20-day clock ticking. It also reiterated its intention of seeking support from other shareholders if Cordis does not accept its $105-a-share offer.

BCH registers 30.7% decline in third term

By Tom Burns in Madrid

Banco Central Hispano, the weakest performer of Spain's big banks, reported third-quarter pre-tax profits of Pta31.4bn ($256.7m), 30.7 per cent down on the same period of last year, but said it expected to recover its earnings potential in 1996.

The results, which were in line with market expectations, reflected the banking group's continued effort to strengthen its balance sheet through large provisioning allocations, as well as a strong fall in extraordinary income.

Capital gains from asset sales and other non-recurring revenue fell by 58.6 per cent from Pta46.4bn to Pta19.2bn and helped push net attributable group profit down to Pta22.7bn, 29.8 per cent lower than the Pta32.3bn net profits after minorities posted at the third-quarter stage last year.

Net provisions totalled Pta58bn, and a further Pta25.5bn was set aside for depreciations. The allocations raised BCH's coverage ratio to 85 per cent, an impressive improvement on the 70 per cent coverage a year earlier and lowered the ratio of non-performing loans by 2 per cent to 5.4 per cent, which is below the financial sector's average.

Shrinking margins and the combination of scant credit demand and a prudent lending policy brought the net interest revenue over the first nine months down by 8.9 per cent to Pta198.6bn.

BCH was, however, able to post an operating profit of Pta96bn, 0.3 per cent up on last year's third-quarter outcome thanks to improved treasury and industrial portfolio income and to strict cost-cutting which lowered overall expenses by 2.9 per cent.

BCH now believes that a 100 per cent coverage for non-performing loans, and thereby the completion of a prolonged adjustment period, is achievable by the end of this year. Such a development would represent crossing a psychological threshold and set the stage for a return to profitability next year.

COMPANY NEWS: UK

Upton & Southern loses £9.6m

By Chris Tighe

Upton & Southern Holdings, the Middlesbrough-based retail group which acquired The Reject Shop last year, incurred losses before and after tax of £9.59m on turnover of £30.4m in the year to July 29.

The figures underline how big a drain the acquisition of Reject Shop was for Upton by the time it put the operation into receivership in May.

The deficit, which compared to a pre-tax loss of £4.01m on turnover of £17.9m in the 78 weeks to July 31 1994, incorporated the £3.27m trading losses of Reject Shop up to its receivership, a £6.06m write-off of Upton's investment in the subsidiary and about £250,000 for resolving other known contingencies and obligations.

Losses per share on a greatly increased capital were 8p (20.7p). No dividend will be paid.

"Virtually the whole loss was as a result of The Reject Shop," said Mr Ron Trenter, the former Texas Homecare chief brought in as executive chairman and chief executive in March. The acquisition was with hindsight, he said, a "horrendous mistake", which had cost Upton upwards of £12m.

In the year, sales at E. Upton & Sons, which operates from three department stores and three small shops in north-east England, totalled £8.5m, an increase of 7 per cent. Pre-tax profit was £230,000 (loss of £615,000) including a released £180,000 provision made for rents and not now required.

The last year had probably been, he said, the "most challenging and traumatic" in Upton's 126 year history. But he insisted: "We now have a very clean company going forward. We haven't mortgaged the future in any way, which is what has been done for years in this business."

Following its August debt restructuring and refinancing the group has net assets of about £1.5m. It also has £12m of tax losses to carry forward.

It is seeking a non-food retailing acquisition to substantially increase critical mass and operating performance. "We would go back to our shareholders and the market," said Mr Trenter.

The group is still involved in litigation with Mr Jeffrey Gould, its former chief executive, over his £70,000 claim for loss of contract.

Peugeot Citroën surges to FFr1.22bn at halfway

By John Ridding in Paris

Peugeot Citroën, the French carmaker, yesterday announced first-half profits of FFr1.22bn ($247.7m), almost 80 per cent higher than the FFr688m recorded last year, but expressed frustration at the impact of currency movements in the European Union.

Condemning the "excessive and competitive devaluations of certain currencies, notably the Italian lira", and citing the downturn in the European car market, the group said its performance had been achieved by increased efficiency and an improved model range.

Sales during the period rose from FFr83.8bn to FFr86.43bn, while reduced costs prompted a stronger increase in operating profits from FFr2.44bn to FFr2.78bn. Financial charges fell from FFr915m to FFr707m, partly refleting a reduction in debts. The company said that net borrowings had continued their steady decline, amounting to FFr5.5bn at the end of June, compared with FFr9.34bn a year earlier.

The group cited several important vehicle launches over the past year which have helped support sales and margins and improved its product mix. The new models include the Peugeot 806 and Citroën Evasion monospace vehicles, new versions of the Peugeot 605 and Citroën XM, and two utility models. The new Peugeot 406 was recently unveiled at the Frankfurt motor show.

The French group also cited significant international projects, including an agreement with Proton of Malaysia for the manufacture of licensed vehicles. Peugeot Citroën said the accord was ultimately expected to result in production of 50,000 units a year.

In Europe, however, the company outlined gloomy prospects. "The third quarter continued to be marked by the absence of recovery in western Europe," it said. According to Peugeot Citroën, the French market is suffering from high real interest rates and taxes and a new series of government incentives for the car industry is not expected to have a significant impact before the end of the year.

The weak car market is proving a particular concern for Renault, Peugeot Citroën's domestic rival. Government plans to complete the privatisation of the public sector group have been delayed by its falling share price, reflecting the depressed state of the market.

To reduce its shareholding to a minority, the Conservative government is now thought to be considering the sale of a small stake of Renault's capital to a group of industrial partners.

NEWS DIGEST

S+V shares suspended at 100p

Dealings in shares of Sunset + Vine were suspended yesterday at 100p, a rise of 2p, as the independent television production company confirmed that it was still involved in discussions on a "substantial" acquisition.

The shares dropped 17 per cent to 109p in early September when a profits warning was accompanied by news that the group was in "advanced" merger talks. Directors merely said yesterday that the shares had been suspended "pending a future announcement".

Midland & Scottish

Midland & Scottish Resources, which operates the Emerald oilfield in the North Sea, reduced post-tax losses from £7.66m to £283,000 for the half year to the end of June.

The company said its long-awaited Spirit of Columbus floating production platform had been delivered to its Italian subsidiary in August. The reduction in losses was due to the charging of costs relating to the project against a provision set up in 1994.

Turnover dropped to £16.4m (£24.5m) as Emerald Field production diminished. Losses per share improved to 0.1p (4p).

Seafield in red

Seafield, the transport, warehousing and distribution group, was tipped back into loss in the six months to June 30 by the cost of selling its Netherlands-based subsidiary.

The £3.02m deficit compared with a profit of £220,000 last time. The loss on the sale was £925,000, while the profit and loss account included a further £1.54m of goodwill written off. The loss did not reflect the trading situation, the group said. There will also be a charge in the second half to reflect a reorganisation.

Turnover was up from £7.98m to £8.67m. However, profits at operating level slid from £667,000 to £104,000, partly of losses abroad.

Losses per share of 4.5p compared with earnings of 0.3p.

Dean Corporation

Dean Corporation, the property services group which joined the Aim last month, turned over £316,323 in the six months to June 30. Pre-tax profit was £43,933, producing earnings per share of 0.31p.

The group said it hoped to pay a dividend next year.

During the period Dean bought two companies, J.C. Tripp and Protec Industrial Coatings.

Wakebourne losses

As indicated last month, Wakebourne, the computer services group, reported pre-tax losses of £356,000 for the half year to June 30 after exceptional costs of £409,000. Last time there were profits of £1.07m.

Mr Leslie Warman, chairman, said the result was unacceptable and forceful action was being taken including rationalising the cost base and implementing new accounting and stock control systems.

Turnover edged ahead to £18.8m (£18.2m). Losses per share were 1.1p (3.4p earnings). The last dividend payment was in 1989.

Bluebird shares sale

Mr Torquil Norman, the chairman and founder of Bluebird Toys, has raised £2.24m by the sale of 650,000 shares at 345p, the company said yesterday.

Mr John Andrews, non-executive director, raised £1.15m by selling 333,108 shares at the same price.

River Plate offer

River Plate & General Investment Trust has received an approach from its manager, Jupiter Asset Management, which may lead to an offer.

The company is required to hold an extraordinary meeting on October 31 in order to put a winding-up resolution to shareholders, unless the directors have been released from this obligation.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Castle Mill Intl	6 mths to June 30 ■	1.01	(1.05)	0.392L	(0.323L)	1.86L	(1.59L)	-	-	-	-	nil
Dean Φ	6 mths to June 30	0.316	(-)	0.044	(-)	0.31	(-)	-	-	-	-	-
Gowett ★	6 mths to June 30	18.6	(20.1)	14♠	(27.3)	18.6	(35.7)	11	Nov 21	11	-	29
Midland & Scottish §	6 mths to June 30	16.4	(24.5)	0.28L□	(7.66L□)	0.1L	(4L)	-	-	-	-	-
Rasmus	Yr to June 30	20.8	(29.1)	1.43L♠	(5.17L♠)	5.9L	(31.8L)	nil	-	nil	nil	nil
Seafield	6 mths to June 30	8.67	(7.98)	3.02L♠	(0.22)	4.5L	(0.3)	nil	-	nil	-	nil
Upton & Southern	Yr to July 29 ■	30.4	(17.9)	9.59L♠	(4L)	8L†	(20.7L)	-	-	-	-	-
Wakebourne	6 mths to June 30	18.8	(18.2)	0.356L♠	(1.07)	1.1L	(3.4)	nil	-	nil	-	nil

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Murray Enterprise	Yr to Sep 30	134.39	(123.42)	0.64	(0.57)	2.64	(2.5)	1.6	Feb 1	1.4	2.35	2.1

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ■Comparatives restated. ΦAim stock. ★US currency. ♠After exceptional charge. §USM stock. □Post-tax. †On increased capital.

NEWS DIGEST

Union Minière unveils revamp

Union Minière is launching a three-year industrial plan involving investments of BFr22bn ($764m) and job losses of 1,618 in Belgium and 212 in France.

The main profitability gains will be in zinc and copper refining at its Hoboken, Antwerp refinery. The programme will enable Union Minière to significantly improve its operating profits and return on capital employed. It said it would return the group to a profitable footing and give it the resources it needed to expand its international activities.

"If this plan succeeds, Union Minière will be back where it belongs, among the leaders in the non-ferrous metals industry," the group said. *AFX News, Brussels*

Placer shows 33% improvement

Record gold output and better cost performance enabled Placer Dome to post third-quarter net profit of US$24m, or 10 cents a share, up 33 per cent from $18m, or 8 cents a share a year earlier.

Gold operating profit rose 40 per cent to $77m and output was 535,000 ounces, up 31 per cent. Cash production cost averaged $201 an ounce and average price realised was $392 an ounce. Nine-month earnings were $36m, or 15 cents a share, down from $79m, or 33 cents, on sales of $735m against $668m. The decline was due to higher exploration expenses and a $17m special charge. Nine-month gold output was 1,363,000 ounces, up 5 per cent from a year earlier, and average cost was $215 an ounce. Average price realised was $392 an ounce. *Robert Gibbens, Montreal*

KPMG in accord with bank

The US firm of KPMG, part of the global Big Six accountancy group, has entered into an alliance with a boutique investment bank, KPMG Baymark, in order to provide clients with corporate finance services. Mr Mark Taffet, president of KPMG Baymark, is a former managing director of KPMG's corporate finance group in the US. KPMG Baymark is the holding company for two operations – KPMG Baymark Strategies and KPMG Baymark Capital.

The first will offer corporate recovery services while the second is a licensed broker-dealer. Under the current regulatory framework audit firms are prevented from acting as broker-dealers. *Jim Kelly, Accountancy Correspondent*

Swedish ABB chief to step down

Mr Bert-Olof Svanholm has said he plans to step down as chief executive of the Swedish arm of ABB Asea Brown Boveri next March. He will be succeeded by Mr Anders Narvinger, currently executive vice-president of Swedish ABB in charge of power transmission and distribution.

Mr Svanholm is well known in Swedish industry through his chairmanship of Volvo – a position he took on after the vehicle group controversially abandoned plans to merge with Renault of France in December 1993 – and his chairmanship of the Federation of Swedish Industries. He has been chief executive of Swedish ABB since the group was formed from the merger of Sweden's Asea and Switzerland's Brown Boveri in January 1988. *Christopher Brown-Humes, Stockholm*

Codan head denies wrongdoing

Mr Peter Zobel, chief executive of Codan, one of the two largest Danish insurance companies, has been ordered by the Finance Industry Supervisory Authority to unwind two private investments, which the supervisors consider to be unlawful. Mr Zobel denies any wrongdoing and says he expects to appeal against the order.

The supervisors say that two investments made by Mr Zobel's private company are in conflict with the Insurance Companies Act, which states that managers of insurance companies may not engage in speculative business on their own account.

The two investments which have run foul of the supervisors' concern involve lending in low-interest Swiss francs for investment in high-yielding Swedish bonds. The deals were financed with the assistance of financial guarantees from Codan. Mr Zobel had in turn provided collateral for the guarantees.

The investments turned sour when the Swedish krona collapsed in November, 1992, causing Mr Zobel's private company a substantial loss, but there was no loss to Codan. *Hilary Barnes, Copenhagen*

Danisco to acquire CMB arm

Danisco, the food, beverages and packaging group, has signed a contract to acquire the flexible packing division of France's CarnaudMetalbox. CarnaudMetalbox Flexible has about 700 employees and a turnover of FFr617m ($125.2m). The acquisition, which is dependent on a satisfactory result of an environmental investigation, will take employment in Danisco's flexible packaging division to about 2,000, turnover to about Dkr2bn, and give the group some 6 per cent of the European market.

Group sales by Danisco in the year ended in April totalled DKr14.2bn ($2.6bn), including sugar, distilling, food ingredients and packaging. The total sales by Danisco's packaging division, including paper and board, was DKr3.64bn. *Hilary Barnes, Copenhagen*

French property bank to refocus

Comptoir des Entrepreneurs, the specialist French property bank, predicted a return to profitability and payment of dividends in 1998. Mr Jacques Lebhar, chairman, predicted the group would make losses this year of between FFr500m and FFr600m ($102m to $123m) and return to break-even during the second half of 1996.

He said the group would be reducing its loans by 15 per cent in the next three years and cutting its management costs by 30 per cent.

Mr Lebhar said the group was withdrawing from property investment and would focus on three areas: loans to individuals, to business teams and certain property developers. *Andrew Jack, Paris*

Moore buys stake in UNI-Tech

Moore, the Canadian information handling group trying to buy Wallace Computer for US$1.4bn, has bought 25 per cent of UNI-Tech, a private Hong Kong-based computer services consultant which operates mainly in China and Taiwan. The price was not disclosed.

The two firms will introduce the first Asian-language electronic business forms to the Asia-Pacific market, including software products. UNI-Tech, with 65 professionals and offices in Hong Kong, Shanghai and Shenzhen, will adapt the products to Asian markets and provide distribution and support.

● Mitel, the Canadian telecommunications equipment maker, announced second-quarter net profit of C$15m (US$10.98m) or 13 cents a share, up from C$2.9m or 2 cents a share a year earlier, on revenues of C$149m against C$144m. First-half earnings were C$24.6m or 22 cents a share against C$6.9m or 5 cents a share. *Robert Gibbens, Montreal*

Onex to absorb Vencap Equities

Onex, Canada's leveraged buy-out specialist, is taking over Vencap Equities, an Alberta venture capital group, in a deal worth C$256m (US$187.4m). The Alberta government formed the venture in 1981 to diversify the province's resource economy and still holds a 31 per cent interest. The balance is held publicly.

Vencap's board turned aside several other offers to accept Onex's bid of C$8.50 a share. The province will collect C$174m for its equity and loans to Vencap. The public shareholders will get a total C$82m. But Onex will get access to Vencap's C$138m cash. Vencap's portfolio is valued at C$114m covering investments in 36 Alberta-based companies. *Robert Gibbens, Montreal*

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COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Copper stocks rise halts rally

Copper's rally this week at the London Metal Exchange was halted yesterday by news of a bigger-than-expected rise in exchange warehouse stocks of the metal.

The three months delivery price, which had by Thursday's close recovered most of last week's $80 fall, retreated to $2,712.50 a tonne, down $33.50 on the day but still $29 up on the week, after the LME announced that stocks had risen by 8,475 tonnes to 190,950. Reserves in LME warehouses around the world have now grown by nearly 50,000 tonnes since the downward trend was reversed in mid-July.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+350	to 530,975
Aluminium alloy	-340	to 48,740
Copper	+8,475	to 190,950
Lead	-2,550	to 194,375
Nickel	-1,002	to 52,194
Zinc	-3,375	to 723,625
Tin	-365	to 14,025

Traders suggested that the latest addition to the stocks total resulted from the big premiums being paid for prompt supplies, which were attracting metal to LME warehouses. At yesterday's close the cash premium (or "backwardation") over the three months delivery position was $98 a tonne, down from $113.50 on Thursday but $19 up from the end of last week.

Mr David King, the LME's chief executive said last week that exchange authorities were closely monitoring the copper market to ensure that nothing untoward was occuring. But he added: "We are not overly concerned". At that time traders suggested that the backwardation was being driven out by awareness that there was a large requirement for cash supplies by operators wanting to close out hedges against earlier physical purchases.

Other LME metals followed copper's lead, with nickel and lead putting in the strongest performances.

Nickel's continuing rally was encouraged by further stocks falls, which this week amounted to 1,896 tonnes, or 3.5 per cent per cent of the total. The three months delivery price touched a 2¼-month peak of $9,030 on Thursday before closing yesterday at $8,830 a tonne, up $845 on the week.

Stocks movements were also supportive for lead. As the total fell by 6,000 tonnes, or 2 per cent, the three months price climbed to $684.50 a tonne, up $34 on the week but $3.50 off Thursday's high.

At the London Commodity Exchange the main feature of the week was the widening of coffees backwardation in response to concern about signs of a developing squeeze of immediately available supplies.

The November delivery position's premium over January futures widened from $54 a tonne at the end of last week to $134 at Thursday's close. Yesterday, however, squeeze fears were allayed to some extent by news of a fall in open interest (uncovered contracts) on the market and the November/January backwardation narrowed to $105 a tonne.

The January position ended $14 down on the week at $2,315 a tonne, despite receiving support from reports that heavy rain was delaying the Vietnam harvest and had damaged the Costa Rican crop.

The latter was said to have lost between 5 and 7 per cent of its 1995-96 production, which had been forecast at about 3.3m bags (46kg each). "While this may seem a small amount of coffee, it will be significant in the current tight market situation," London broker GNI said in yesterday's issue of its Commodity report.

LCE cocoa futures were firmer, meanwhile, with the March position finally breaking through resistance at £959 a tonne to end at £960, up £7 on the day and £13 on the week. Traders told the Reuters news agency that a few operators were pressing the upside all week to break the resistance.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1995 High	1995 Low
Gold per troy oz.	$382.05	+0.05	$393.80	$394	$373
Silver per troy oz	341.25p	-2.75	355.60p	375.50p	267.90p
Aluminium 99.7% (cash)	$1638.5	+29	$1592.5	$2149.50	$1609.50
Copper Grade A (cash)	$2810.5	+48	$2477.0	$3216.00	$2702.50
Lead (cash)	$702.5	+52	$620.5	$704.00	$536.50
Nickel (cash)	$8750.0	+885	$6385.0	$10160	$6947.5
Zinc SHG (cash)	$1004.5	+46.5	$1006.5	$1208.5	$958.0
Tin (cash)	$6275.0	+105	$5315.0	$7175.0	$5085.0
Cocoa Futures Dec	$934	+18	$1018.0	$1050	$830
Coffee Futures Nov	$2420	+37	$3855.0	$3297	$2354
Sugar (LDP Raw)	$308.0	-0.6	$313.6	$378.1	$289.2
Barley Futures Nov	$111.85	+1.10	$105.65	$113.00	$102.00
Wheat Futures Nov	$122.25	+2.00	$107.00	$120.25	$111.00
Cotton Outlook A Index	89.05c	-0.75	73.80c	116.80c	85.05c
Wool (64s Super)	458p	+13	453p	532p	475p
Oil (Brent Blend)	$16.32	+0.525	$16.65	$19.01	$15.05

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Dec.

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1638-9	1674-5
Previous	1654-5	1690-1
High/low	1640/1639	1686/1665
AM Official	1638-9	1676-6.5
Kerb close		1678-9
Open int.	222,551	
Total daily turnover	42,853	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1390-400	1430-40
Previous	1400-10	1440-45
High/low		1435/1425
AM Official	1381-5	1425-35
Kerb close		1427-30
Open int.	2,889	
Total daily turnover	9,450	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	701.5-3.5	684-5
Previous	703-5	683-5
High/low	693/691	685/677
AM Official	690-1	676-7
Kerb close		680-1
Open int.	33,383	
Total daily turnover	7,657	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8745-55	8825-35
Previous	8820-30	8895-900
High/low	8700/8690	8840/8690
AM Official	8690-700	8775-80
Kerb close		8840-50
Open int.	44,509	
Total daily turnover	19,019	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6270-80	6320-30
Previous	6300-10	6355-65
High/low		6320/6300
AM Official	6265-75	6320-25
Kerb close		6310-15
Open int.	18,710	
Total daily turnover	4,963	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1004-5	1027-8
Previous	1003-4	1026-7
High/low		1028/1014
AM Official	994-5	1017-8
Kerb close		1021-2
Open int.	80,898	
Total daily turnover	26,844	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2808-13	2712-3
Previous	2858-63	2746-7
High/low	2782	2720/2687
AM Official	2782-3	2696-7
Kerb close		2694-5
Open int.	185,038	
Total daily turnover	60,116	

■ LME AM Official £/$ rate: 1.5839
LME Closing £/$ rate: 1.5807

Spot: 1.5795 3 mths: 1.5764 6 mths: 1.5733 9 mths: 1.5694

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	127.25	-0.50	128.30	127.00	466	434
Nov	125.90	-1.10	127.00	125.60	165	1,591
Dec	123.70	-1.30	125.70	123.55	10,033	22,347
Jan	122.50	-1.30	124.20	122.40	14	661
Feb	121.85	-0.30	122.15	122.15	4	445
Mar	119.95	-1.25	121.80	119.95	1,397	6,433
Total					12,250	38,324

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.80-382.30		
Opening	382.30-382.60		
Morning fix	382.55	241.845	451.325
Afternoon fix	382.60	241.953	431.802
Day's High	382.70-383.00		
Day's Low	381.75-382.05		
Previous close	382.50-382.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.82	6 months	3.59
2 months	3.78	12 months	3.65
3 months	3.50		

Silver Fix	p/troy oz.	US cts equiv.
Spot	341.25	540.00
3 months	348.00	546.00
6 months	350.65	552.55
1 year	360.60	565.25

Gold Coins	$ price	£ equiv.
Krugerrand	382.00-384.00	242-244
Maple Leaf	393.35-395.85	-
New Sovereign	87-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	382.6	-0.3	-	-	-	-
Dec	383.9	-0.4	384.7	383.1	14,337	106,046
Feb	385.9	-0.4	389.8	385.2	1,098	26,264
Apr	388.4	-0.3	388.1	387.6	721	9,915
Jun	391.0	-0.3	390.8	390.8	405	10,927
Aug	393.5	-0.3	-	-	168	2,989
Total					17,128	192,189

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	405.5	-4.5	411.0	402.5	2,582	20,166
Apr	405.8	-4.5	410.8	404.0	304	2,042
Jul	406.8	-4.5	411.3	407.0	2	1,668
Oct	407.0	-4.5	409.0	409.0	1	125
Jan	409.6	-4.5	412.0	412.0	4	4
Total					2,881	24,015

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	136.95	+1.65	138.25	135.00	613	4,771
Mar	138.20	+1.65	139.00	136.25	102	1,273
Jun	139.55	+1.65	-	-	-	125
Total					715	6,169

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	529.1	-11.4	-	-	16	15
Dec	532.0	-11.5	544.0	528.0	13,639	61,974
Jan	533.7	-11.5	545.0	545.0	1	27
Mar	539.1	-11.4	550.0	535.0	610	15,306
May	543.3	-11.4	551.5	542.0	106	7,494
Jul	547.5	-11.4	556.0	546.0	148	5,865
Total					14,815	185,181

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	17.54	-0.04	17.67	17.52	66,234	95,183
Jan	17.32	-0.01	17.41	17.29	25,148	57,741
Feb	17.19	-0.02	17.26	17.17	11,153	24,208
Mar	17.11	-0.03	17.20	17.08	6,687	18,385
Apr	17.05	-0.04	17.09	17.08	1,813	13,070
May	16.99	-0.05	17.04	17.04	1,236	7,727
Total					118,249	327,059

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA
All futures data supplied by CMS.

Spices
[illegible]

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

[illegible]

■ OTHER

[illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	92.4000	-0.870	8.67	8.42	8.65
Austria		6.875	06/05	99.4000	-0.050	6.95	6.95	6.80
Belgium		6.500	03/05	96.4500	-0.050	7.02	7.05	6.95
Canada *		8.750	12/05	105.5000	-0.800	7.84	7.77	7.94
Denmark		7.000	12/04	94.5800	-	7.85	7.90	7.69
France	BTAN	7.750	04/00	104.3750	+0.500	6.57	6.79	6.53
	OAT	7.750	10/05	102.8900	+0.710	7.33	7.55	7.24
Germany Bund		6.500	10/05	100.1400	-0.030	6.48	6.51	6.47
Ireland		6.250	10/04	88.3500	-0.150	8.13	8.23	8.04
Italy		10.500	04/05	93.6500	+0.370	11.62†	11.90	10.98
Japan	No 129	6.400	03/00	119.7890	+0.155	1.57	1.48	1.77
	No 174	4.600	09/04	112.5200	-0.440	2.84	2.78	2.81
Netherlands		7.000	05/05	103.2300	+0.020	6.53	6.57	6.50
Portugal		11.875	02/05	109.2600	-0.090	11.27	11.22	11.00
Spain		10.150	01/06	92.9700	-0.030	10.92	10.80	10.64
Sweden		6.000	02/05	80.5000	+0.004	9.21	9.22	9.31
UK Gilts		8.000	12/00	102-04	-2/32	7.49	7.60	7.37
		8.500	12/05	102-31	-7/32	8.06	8.16	7.86
		9.000	10/08	106-17	-8/32	8.17	8.26	7.94
US Treasury *		6.500	08/05	102-26	-23/32	6.11	6.01	6.14
		6.875	08/25	105-27	-43/32	6.43	6.34	6.49
ECU (French Govt)		7.500	04/05	98.7400	+0.270	7.68	7.78	7.50

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

ECONOMIC DIARY – FORWARD EVENTS

TOMORROW: Clocks go back one hour in US and Canada. More than 1,000 government leaders and businessmen meet in Amman to promote Middle East and North African regional co-operation. Mr John Major, prime minister, meets Mr Jacques Chirac, French president, at Chequers.

MONDAY: M0 figures (October-provisional). US personal income (September). French industry survey (October). French-speaking province of Quebec holds referendum on independence from Canada. EU foreign ministers meeting in Luxembourg; agenda includes former Yugoslavia and preparation for joint meeting with central and eastern European foreign ministers (to October 31). EU research ministers meet in Luxembourg.

TUESDAY: Economic trends (October). US single family home sales (September); consumer confidence (October). French unemployment (September). Italy retail sales (July). French social security outlines its 1996 financial forecasts. Interim results from Thames Water.

WEDNESDAY: Balance of visible trade (August). Overseas travel and tourism (August). Major British banking groups' quarterly analysis of lending (third quarter). Full monetary statistics (October). US leading indicators (September); construction spending (September); NAPM (October). Peace talks between warring factions in Bosnia in Dayton, Ohio. Mexican president gives state of the nation speech. South Africa holds first all-race local government elections. Majority of European stock markets closed for holiday.

THURSDAY: New earnings survey – 1995 Part D: Analyses by occupation. UK official reserves (October). US factory orders (September). Malaysian Strategic Research Centre and Institute for Policy Research hold three-day conference on the United Nations at 50. Bundesbank council meets. Boots results. Royal Dutch/Shell issue third quarter figures.

FRIDAY: US unemployment data (October). Mr Bill Clinton, US president hosts Mr Jacques Chirac, French president, for formal state visit (to Nov 4). Technical mission of the IMF arrives in Venezuela.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields	
Prime rate	8¾	One month	5.42
Broker loan rate	7½	Two month	5.49
Fed funds	5⁹⁄₁₆	Three month	5.39
Fed funds at intervention		Six month	5.57
		One year	5.56

[illegible]

BOND FUTURES AND OPTIONS

France
■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany
■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

Italy
■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain
■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK
■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu
■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US
■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan
■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FINANCIAL TIMES

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Saturday October 28 1995

The US versus the rest

October is a nervous month for Wall Street. It arouses a collective memory of the synchronised crash that reverberated around world equity markets in 1987. And for a brief moment on Thursday it looked as though something nasty might be on the way. Weakness early in the week turned into a dizzy slide in prices, compounded by the impact of computerised programme trading – the technological twitch that can make the difference between nervous and manic depression in the markets. A sinking Mexican peso added further to the unease; and the shock waves from the US were felt in London, Tokyo and elsewhere.

In the event it amounted to no more than a jolt. But the nervous behaviour is understandable enough, not least because the most aggressive buyers of equities continue to be the mutual funds. No one can be quite sure how the retail investors in these funds will react to a bear market. But if they feel the brunt of a crash, economic activity stands to be more heavily affected than when pension funds are in the front line, as in 1987. A negative wealth effect is more likely: when personal portfolios shrink, people tend to consume less and save more.

In the event the more significant news for the US economy was in the real world rather than the markets. The annualised 4.2 per cent rate of growth in the third quarter revealed yesterday by the Department of Commerce provided a clear signal that this year's slight hesitation in the US cycle is over. After a short period in which the world's leading economies have been moving broadly in sync, the US has worked off its excess inventory and is once again striking out on its own. Given the absence of slack in the economy, this was mixed news for bonds. With growth moving above its long-run trend potential, US short rates now seem more likely to rise than fall, while rates in Germany and much of Europe are still heading downwards.

Economic health

Also out of sync are the views of domestic and foreign investors about the general health of the US economy. Where Americans appear to believe that inflation has been fully tamed, there is evidence that international fund managers remain unconvinced. Many do not share the domestic optimism that dramatic cuts in the US budget will actually be achieved. For most of the year US long bond yields have been below comparable D-Mark yields. For those who feel that this reflects a lack of realism in US bond valuations, equities on Wall Street inevitably look overvalued too.

Then there is the vexed question of the US productivity miracle. Many on Wall Street are convinced that a secular change has taken place in US industry. Capital investment, especially in technology, has been running at a high level; big companies in the automobile, computer and consumer durable industries that were ailing not so long ago have made a remarkable comeback against the Japanese; and there is everywhere evidence of improved competitiveness.

Dollar weakness

Foreign sceptics point out that the weakness of the dollar has had much to do with this renaissance. That points to a cyclical rather than a secular improvement. They see the improvement in labour productivity as a one-off consequence of corporate downsizing, of a similar kind to that under way in Britain.

At a more fundamental level it has been suggested that, because restraints on the international transfer of technology have declined, big productivity differentials between economies must primarily be a consequence of the differing quality of their workforces. Quality, in this instance, is a question of education. It is far from clear that there has been a surge in US educational standards sufficient to bring about the putative productivity miracle.

One curiosity of the debate is that it does not find an accurate reflection in the figures on the capital account of the US balance of payments. In the first half of 1995 foreign investors bought nearly \$40bn of US bonds, compared with \$55.6bn in the whole of 1994 and \$61bn in 1993. As for equities, foreigners have suddenly become enthusiastic, buying \$20bn in the second quarter of this year, compared with a net disinvestment of \$4bn in the first quarter and net purchases of \$4bn in the whole of last year.

Here we have some clues as to the events of the week and the differing perceptions of value in the markets. The large recent purchases of bonds almost certainly reflect buying by the Bank of Japan in its efforts to curb an overvalued yen and inject liquidity into a system which is hostage to the fortunes of troubled banks. In so doing, the Japanese are buoying up US markets; and the unexpected decline in US bond yields relative to D-Mark bonds looks, at least in part, to be an unexpected consequence of the bank bail-out.

Meantime the foreign interest in equities looks like late panic buying by foreign fund managers who had missed out on Wall Street's bull market. When equities are driven by liquidity, bouts of nervousness are only to be expected.

Next month's Budget is casting a shadow over the outlook for UK interest rates and inflation, writes Robert Chote

Tense game of wait and see

Mr Eddie George, governor of the Bank of England, will have plenty to ponder on Wednesday morning as his dark blue Daimler speeds him to the Treasury for his monthly meeting to discuss interest rates with Mr Kenneth Clarke, the chancellor.

Not only is staff morale at the Bank fragile, but Mr George also faces an uncomfortable dilemma after the public retraction last month of his demand for higher interest rates. If inflation now falls, it suggests the Bank was wrong to demand higher rates in the first place; if inflation stays above target, it suggests the Bank caved in at the moment it should have stood firm. Neither outcome will be a great advertisement for its counter-inflationary tactics.

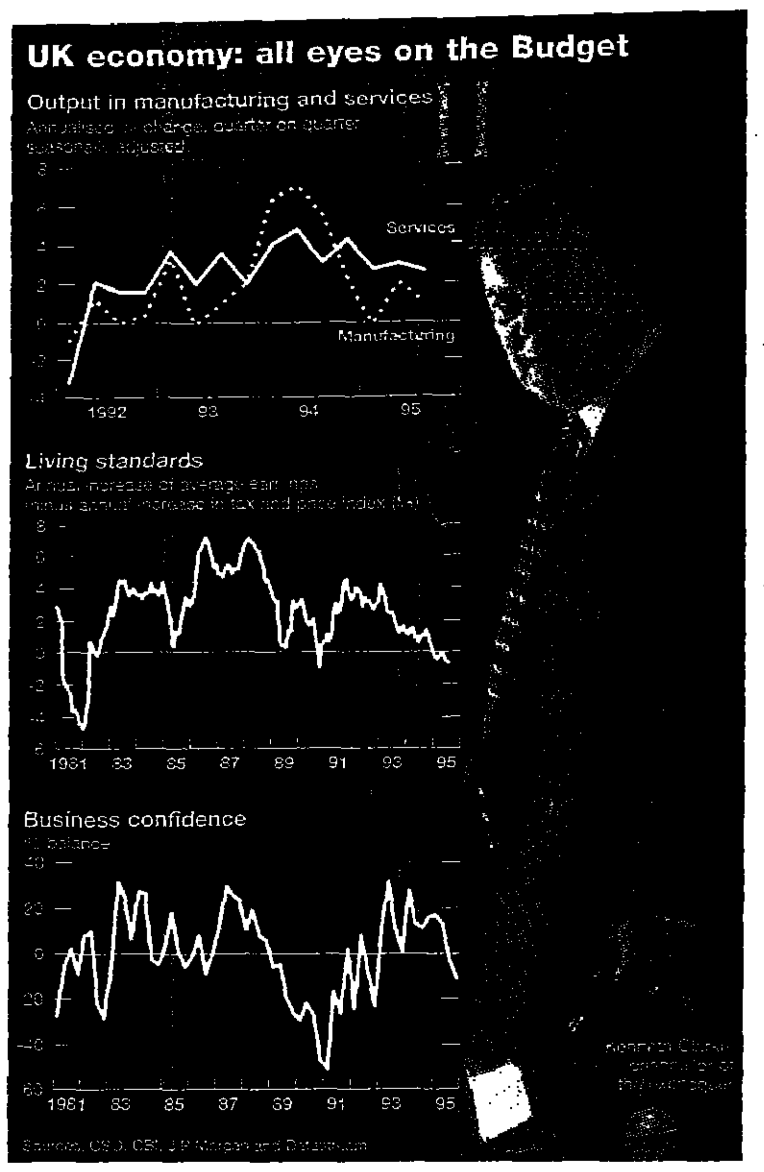
Mr Clarke has other things on his mind. Treasury ministers routinely claim each autumn that they are engaged in one of the toughest government spending negotiations since the time of the Plantagenets. But this year it is not just waffle; the Treasury is struggling to discipline recalcitrant spending departments. With the government borrowing billions of pounds more than it expected, Mr Clarke can only unveil big tax cuts if spending is pared to the bone.

The looming Budget will cast a shadow over Wednesday's meeting. Most economists expect base rates to stay at 6.75 per cent until the Bank and the financial markets have had a chance to digest the Budget statement. The Bank has urged the chancellor not to push his luck on November 28. But having ignored its advice on monetary policy, it is not inconceivable he could do the same on fiscal policy.

Since Messrs Clarke and George last met, they have had disappointing news on inflation. The underlying rate – which excludes mortgage interest payments – rose to 3.1 per cent in the year to September. This was the highest for two years and well above the target of 2.5 per cent or below that the government has set itself for the spring of 1997 and beyond. The jump in inflation also landed the chancellor with an unexpected bill for £670m (\$1.06bn) to uprate social security benefits.

City and academic economists cannot agree where inflation is heading next. Of those polled regularly by the Treasury, 22 think inflation will be higher at the end of next year than it is now and 19 think it will be lower. Inflation has stayed as low as it has in part because wages are unusually subdued. But the 10 per cent pay claim by blue-collar workers at Ford, the carmaker, suggests pay pressures are not just a historical curiosity.

Disagreements about inflation are mirrored by uncertainty over economic growth prospects. Official figures showed this week that the non-oil economy expanded by 0.5 per cent in the third quarter of the year, a rate which has been sustained in the past without pushing up inflation. Growth has been stable at, or a little above, this rate over the past four quarters. But economists cannot agree whether it will now slow down or speed up.



Growth in the latest quarter was underpinned by a 0.7 per cent rise in output of services, which contrasted with a much weaker performance in manufacturing. This is not unusual. Over the past 15 years, growth in services has on average been a tenth of a percentage point higher each quarter than in manufacturing, and only half as volatile.

But the buoyancy of services is raising eyebrows in the City. It is difficult to square with falling high street spending, although Mr Geoffrey Dicks, economist at NatWest Markets, argues that the hot summer weather has encouraged people to consume "beach-type services rather than shop-type services". Rapid growth in business and financial services seems plausible in the midst of a stock market takeover boom. But big gains in transport and distribution seem at odds with weaker factory output growth caused by falling export demand.

Mr David Mackie, economist at J.P. Morgan, argues that the service sector cannot continue to expand as quickly as it has if factory output growth remains subdued or slows further. This week's survey of manufacturers by the Confederation of British Industry suggested this is exactly what might happen. It showed order books weakening, output growth waning, investment increases slowing and business confidence dropping below its 1980s average.

Mr Andrew Buxton, chairman of the CBI's economic affairs committee, said the survey sent a "warning signal". The employers' organisation concluded that the next move in interest rates should be down. This came as no surprise. The CBI has urged that rates be cut, or that they should not be raised, on 30 occasions since Britain left the European exchange rate mechanism in 1992. It has never demanded that rates go up.

Mr Mackie said the CBI survey did suggest the economy would end the year on a weak note. Companies have been making more than they can sell and stockpiling the remainder. Output growth could slow markedly in the fourth quarter as these stocks are run down. According to Mr Dicks, however, manufacturers passed most of their excess stocks to wholesalers and retailers in the second quarter.

If the economy did slow sharply in the fourth quarter, Mr Clarke's reluctance to raise interest rates would look far-sighted and any give-away budget would appear less irresponsible than it otherwise might. But any slowdown may prove short-lived and it may yet be necessary to push base rates higher.

Growth has slowed over the past year mainly for two reasons: a weakening in previously buoyant export demand and slower consumer spending growth because of higher taxes and interest rates. Many expect both effects to unwind.

Overseas demand grew increasingly rapidly last year until companies in Europe and the US found they had excess stocks and chose to satisfy demand from the storeroom shelf rather than UK suppliers. So, for example, UK car production for export rose 35 per cent between September last year and January 1995, only to fall 28 per cent in the following eight months. But the trend may be shifting back: British exports to North America jumped 19 per cent in September.

Consumer spending, too, could accelerate. It is hardly surprising consumer confidence is low, as pay increases this year have failed to keep pace with taxes and prices.

Mr Kevin Gardiner, economist at Morgan Stanley, estimates that an average earner with a £50,000 mortgage suffered a 1.6 per cent fall in income over the year to the second quarter, after taking into account changes in prices, taxes and mortgage payments. But the same earner's income should rise by about 4 per cent over the coming year, even if November's tax cuts are small.

If a combination of job creation, Budget tax cuts and windfalls from building society mergers finally revive the "feelgood factor", this would have knock-on benefits for the housing market and parts of consumer spending which depend on it, such as carpets and furniture. This in turn could revive investment in construction.

Having dropped his demand for higher interest rates over the summer, Mr George is not expected to renew his efforts to force an increase with the Budget just a month away. There is a perfectly respectable argument now for waiting to see what the chancellor does on fiscal policy before changing monetary policy again – especially as more may be revealed about the level of company stocks during the delay.

But given the length of time it takes base rate changes to have their effect, the Bank may yet regret its decision to back down if resurgent growth pushes inflation higher. After all, if the Bank is not prepared to tough it out and err on the side of caution, who will?

Indigestible price rises

Food prices, which rose sharply over the summer, will have an important bearing on whether inflation rises or falls in coming months.

Optimists, like Mr Kenneth Clarke, the chancellor, blame the recent increases on the hot weather – and argue that seasonal food prices should fall again soon.

However, some City economists believe the drought was only one factor behind the increases. They think that cost pressures which emerged last year could still feed through to the shops and prevent food prices overall from falling.

After swallowing hefty cost increases earlier in the recovery without passing them on, some food processing companies appear increasingly resistant to further reductions in their margins.

But their costs are continuing to rise at an annual rate of about 15 per cent. In addition to the hot, dry summer, the weaker pound has raised the price of European agricultural products. Packaging costs have also soared – "faster than in living memory," says the chief executive of one food processor.

Food manufacturers have responded to this by demanding price cuts from their suppliers, or trying to raise sales volumes through closer relationships with individual supermarkets.

But, in contrast to last year, some have also recently raised prices: Rank Hovis McDougall, the UK millers; and Procter & Gamble, the consumer products group, for example, appear to have recently forced retailers such as J Sainsbury and Tesco to accept increases of about 5 per cent on many products.

Equally significantly, retailers have passed on some of those increases to consumers – in contrast to last year, when a supermarket price war helped to keep inflation down. Although large supermarkets remain in cut-throat competition, as demonstrated by recent price wars in some other items such as pharmaceuticals, they are finding new ways of competing, such as offering loyalty cards, rather than just cheaper prices.

Manufacturers' margins remain under pressure: United Biscuits says it under-recovered raw material price increases in the first half, will over-recover them in the second – but on balance will still end up swallowing some £30m in increased costs this year.

Such pressures suggest manufactures and supermarkets may continue to press for fresh price rises – if consumers will swallow them.

No one expects food prices to spiral out of control: the large chains are forecasting price inflation over this financial year of less than 4 per cent.

This may not be high enough to compensate fully for increased costs. But, with food and drink representing about a quarter of goods in the retail prices basket, it may not be low enough to keep underlying inflation within the chancellor's target either.

Reporting by Gillian Tett, Roderick Oram and Neil Buckley.

MAN IN THE NEWS: Sir James Goldsmith

Knight's tilt at political power

Sir James Goldsmith is back. The Anglo-French billionaire is again throwing his weight around in the UK. In this latest adventure, however, it is not the assets of British companies which have caught his predatory eye; it is political power.

Sir James, 62, is the founder and head of the Referendum party, whose sole ostensible aim is to secure a national plebiscite on "the European issue" – whether there should be further transfers of national sovereignty to Brussels.

It aims to field candidates in every constituency, except those where the representatives of the leading parties have pledged themselves to vote for such a referendum in parliament. Its candidates will include minor celebrities such as Sir Alan Walters, former economic adviser to Baroness Thatcher.

Money is apparently no object. Sir James, whose net worth is probably well over \$1bn (£687m), will at least match the funds available to the main parties. Colleagues say the campaign war-chest will probably be £20m.

A national organisation, with headquarters in London's Belgravia and a series of regional officers, has been established. There are apparently more than 1,500 applicants to be Referendum party candidates. The party says it was swamped this week with phone calls from potential supporters after it published its manifesto in full-page advertisements in national newspapers.

It would be tempting to dismiss this latest escapade as an amusing diversion for a cranky plutocrat long obsessed with the European Union. But that would be to underestimate him. Sir James has already shown his ability to convert fear of EU centralisation into votes.

In partnership with the nationalist French aristocrat, Mr Philippe de Villiers, he last year created a "Eurosceptique" party in France, L'Autre Europe. From a standing start, it won 12 per cent of the vote and secured the election of 13 MEPs – including Sir James – in June's elections for the European parliament.

"It was Jimmy who pulled it off", says one of his oldest friends. "It was Jimmy's dynamism and Jimmy's money."

Mr Goldsmith is not hostile to the EU *"tout court"*. He would like it reconstructed into a trading bloc, with a free market internally and barriers to trade with the rest of the world. He is opposed to a single currency. But he favours a common currency, with member countries' currencies convertible into it at a fixed rate.

In his vision of Europe, policies on defence, the environment and diplomacy could also be discussed at EU level. But he is fanatical about maintaining national sovereignty, which he believes was undermined by the Maastricht treaty.

Obsessed with "reds under the bed" in the 1970s, he is now convinced that German Christian Democrats and Brussels "technocrats" are conspiring to create a European superstate. The British people, he believes, must be alerted to the dangers and asked to decide in a referendum what kind of EU they want.

These views are of course not unique to Sir James. A particularly voluble element in the Tory party, the sceptics, share most of them.

But their attitude is ambivalent. For one thing, they fear that Sir James's party may harm the Tories' already gloomy election prospects, even if it picked up only a tiny

percentage of the votes.

"I have nothing to do with the Referendum party," said Mr Bill Cash, the Eurosceptic Tory and old friend of Sir James. "I want the Tories to win."

Privately, other rightwing Conservatives say they applaud Sir James's aims, but fear he may achieve precisely the opposite of what he wants. "If for argument's sake the Referendum party was wiped out in the election, that might be seen as a vote of confidence in the EU by the British people," says one.

At this stage, however, the Referendum party's electoral prospects are impossible to predict. In other countries, plutocrat politicians, such as Mr Ross Perot and Mr Silvio Berlusconi, are forces to be reckoned with. But the UK is different – for more than 200 years, real power has only been available to those prepared to join an established political party.

Sir James, according to his friends, has been "hankering" after a role in British politics for decades, but never wanted to make the compromises joining a party would require.

In the 1970s he toyed with obtaining influence through media ownership. He came close to buying the Express group of newspapers and The Observer – and more than 15 years ago launched a current affairs magazine, Now!, which was a miserable flop.

His forte was in share dealing and takeover bids. In the late 1960s and 1970s he built up a UK foods group, Cavenham, which owned a host of well-known brands, such as Bovril, Carrs biscuits and Elizabeth Shaws mints. But the big bucks came in 1980 when he turned his attention to Wall Street, where he was a pioneering corporate raider.

And his timing was impeccable. Just before the stock market crash in 1987, he liquidated his assets, leaving him with the resources of a Renaissance princeling. He flies his private jet between mansions in France and Surrey and an estate in Mexico which is the size of a small country.

Now, however, his friends say he is "bored with money". "What he is interested in is real power," says one. When he entertains financiers at his Mexican court, his eyes glaze over. But when Mr Henry Kissinger arrives, he is in raptures.

In playing UK politics, he is using all the wiles he acquired as a takeover artist; a certain unease about him is already discernible in the circles around Mr John Major, the prime minister.

A friends believes there may be a touch of the "greenmailer" in his strategy – that he wants the government to "buy him off".

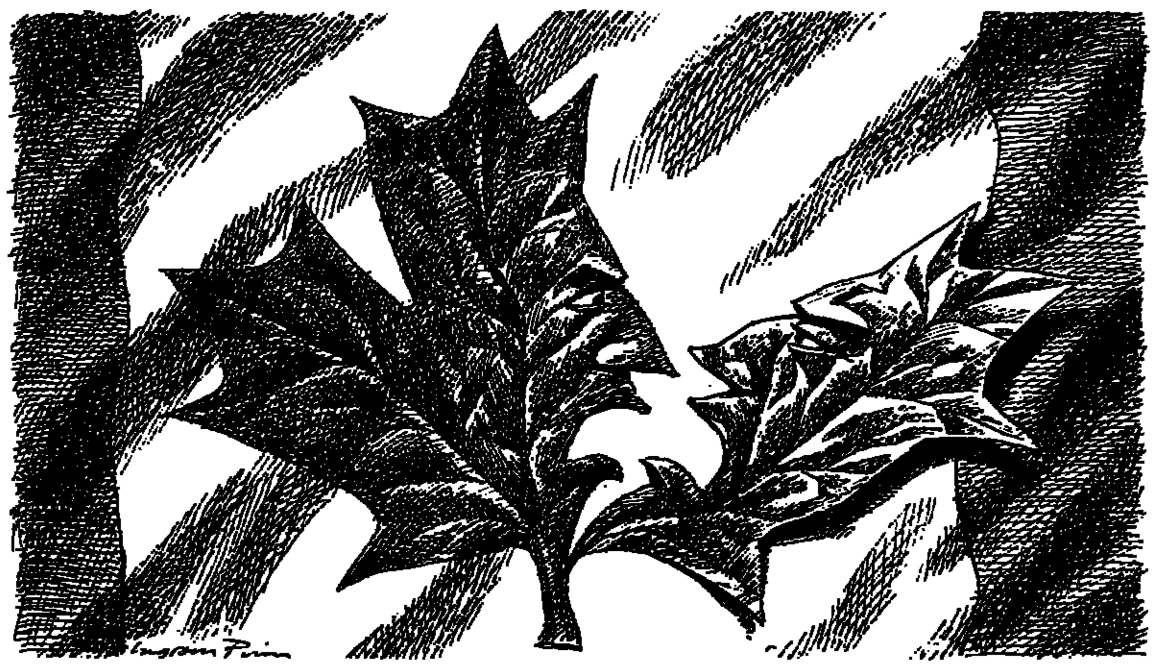
Sir James says his price for disbanding his party is that the two main parties commit to a referendum on Europe. But one of his friends is not so sure. "I think he's after something bigger, but I'm damned if I know what it is."

Robert Peston

هكذا من الأصل

Bernard Simon on the knots that will have to be untied if Quebec votes to secede from Canada

Separatists hope to turn over new leaf



Celebrations in the working-class neighbourhoods of east Montreal will continue long into the night if Québecois vote on Monday to transform their province of Canada into an independent country.

But across town, in the upper-class suburb of Westmount, the mood will be just the opposite. Montreal's English-speaking elite will be gloomily pondering its future in the Republic of Quebec. Some may pack their bags.

Political scientists and economists have devoted considerable energy trying to predict how Quebec's secession might proceed in the event of a Yes vote in the referendum. They have sought lessons from break-ups elsewhere, such as Hungary's split from Austria in 1867, Norway from Sweden in 1905 and, most recently, Slovakia from the Czech Republic.

Canada would be the first established democracy – and by far the most sophisticated economy – to face an internal split. As a result, there are few answers on whether Quebec would go its own way quickly or slowly, peacefully or violently – or indeed whether it would succeed in breaking away at all.

"No one knows what will happen if Quebec secedes," is the blunt conclusion of Mr Robert Young, a political science professor at the University of Western Ontario who has written one of the most authoritative books on the break-up of Canada.

For one thing, a Yes vote on Monday is by no means assured. Although opinion polls show the separatists with a slight lead, federalists and financial markets remain cautiously optimistic that most undecided voters – and even some now planning to vote Yes – will opt at the last minute for the less risky course.

Nonetheless, the No camp has shown signs of panic. Mr Jean Chrétien, prime minister, has added unscheduled speaking engagements, and been pressurised into offering constitutional reforms if Quebec stays in Canada. A big rally organised at the last minute by the No forces drew tens of thousands people to downtown Montreal yesterday.

Even the separatists do not envision instant independence. But if they win, events could move quickly and unpredictably.

The House of Commons is due to convene as usual in Ottawa on Tuesday morning. Would government MPs interrupt proceedings to demand that members of the secessionist Bloc Québecois vacate their seats? Would the opposition Reform party, whose power base is in western Canada, claim that Mr Chrétien, himself a Québecois whose parliamentary constituency is in rural eastern Quebec, has lost his mandate to speak on behalf of Canadians?

The future of the Canada-Quebec relationship would be determined largely by Mr Chrétien's reaction to the vote. The government has set up a large but low-profile "unity operations" unit in Ottawa, but it has so far been preoccupied with referendum strategy and economic studies, rather than contingency planning for a separation.

Mr Chrétien's attitude appears to have hardened since the referendum campaign began. He started by implying that the federalist side might not accept a slim Yes majority given the ambivalence of the question on the ballot, which links Quebec "sovereignty" to a new economic and political "partnership" with Canada.

But in a nationwide TV address this week, Mr Chrétien warned that Monday's decision would be "serious and irreversible".

Many political observers believe that Mr Chrétien would have little choice but to call an early general election in the hope of undermining the referendum result. He would hope that Québecois, faced with a massive flight of capital, high interest rates and a collapsing property market, would turn against the Bloc Québecois, which now forms the official opposition in the House of Commons.

Even the separatists do not envision instant independence. But if they win, events could move quickly

Even if that happened, the existing pro-secession provincial government would still hold office in Quebec City – with four years to go before the next provincial election.

The separatist side has also toughened its stance in the past month. Its draft sovereignty bill envisaged pre-independence negotiations with Ottawa lasting up to a year. More recently, separatist leaders have suggested that the talks might be cut short if they seemed to be leading nowhere.

One of the most intractable issues could be apportioning Canada's C$580bn (£273.6bn) debt. Ottawa has long maintained that Quebec's share would be about 25 per cent, based on its population and gross domestic product. The separatists, however, have suggested a figure closer to 18 per cent, based on estimates of Quebec's share of the country's financial assets.

Innumerable knots would need to be untied. What would happen to federal civil servants, office buildings and military bases in Quebec? Who would provide deposit insurance for Canadian banks operating there? Would the General Motors assembly plant outside Montreal qualify for "local content" privileges under the US-Canada automotive trade pact? Which Québecois would qualify for Canadian passports? The list goes on.

Despite the complexity and scope of these negotiations, some political observers predict that they would be concluded speedily, on the grounds that uncertainty would hurt both sides, especially in financial markets.

But there are many reasons for expecting a lengthy and acrimonious process. According to Mr Stephane Dion, a political scientist at the Université de Montréal, Canada would seek to capitalise on Quebec's mounting economic difficulties by stringing out the negotiations.

But frustrated secessionists might brush aside negotiations and legal challenges, and opt for a unilateral declaration of independence.

This strategy would carry heavy costs and high risks. Mr Marcel Coté, a Montreal economist, has described a unilateral declaration as a recipe for a disastrous bureaucratic mess. Where, he asks, would Quebec find the information to collect the taxes, and deliver the cheques, fees, subsidies and other services that the federal government now provides?

Such a declaration would also risk inflaming public opinion within Quebec. Many Québecois – including many francophones – feel as passionately about staying in Canada as the separatists do about leaving. Aboriginal groups have said categorically that they will not accept Quebec independence.

Some political scientists have suggested that the independence project could collapse, even if the Yes side does win on Monday. Québecois might quickly become disillusioned if the separatists' promise of a smooth, painless transition proved to be false. The ruling Parti Québecois might fracture.

According to Mr Dion: "It is very likely that federalist forces in Quebec will agitate for a new referendum, or that the federal government will use this opportunity to call an election. The separatist electoral defeat will nullify the referendum victory."

For the time being, all this remains conjecture. Mr Dion notes that a Yes vote would at least help satisfy political scientists' intellectual curiosity about how a modern democratic state would manage a break-up. But many Canadians, including many Québecois, would prefer never to know the answer.

Tuned into quality

Raymond Snoddy on Channel 5 Broadcasting's winning bid for the new UK terrestrial television channel

Lord Hollick was in New York on business yesterday when the fax announcing the winner of the race to run the UK's fifth terrestrial television station was sent to the Channel 5 Broadcasting consortium in London.

As Lord Hollick, chief executive of the MAI group and a founder of the consortium, listened down an open telephone line to London, not a word was spoken for 10 seconds as the fax chugged slowly out. "Then there were raucous cheers," he said. "I didn't have to ask whether we had won."

It was the end of an intense battle for the last available commercial television channel using existing technology in any big European market.

Channel 5 Broadcasting, which was awarded the 10-year licence by the Independent Television Commission with a bid of £22m a year, will broadcast to around three quarters of the UK population.

UKTV, a consortium created by the Canadian broadcaster CanWest, and Virgin Television were both excluded on the grounds that their applications did not pass the programme quality threshold, although UKTV had offered more than £36m and Virgin the same as the winners. New Century, a consortium put together by British Sky Broadcasting and Granada, met the quality threshold, but offered £2m.

"It is a shot in the arm for British production," said Lord Hollick, whose company controls two ITV franchises, Meridian Broadcasting in the south of England and Anglia Television in the east. Channel 5 Broadcasting's other shareholders are Pearson, the media group that owns the Financial Times, CLT, the Luxembourg-based broadcaster, and Warburg Pincus, the US investment bank.

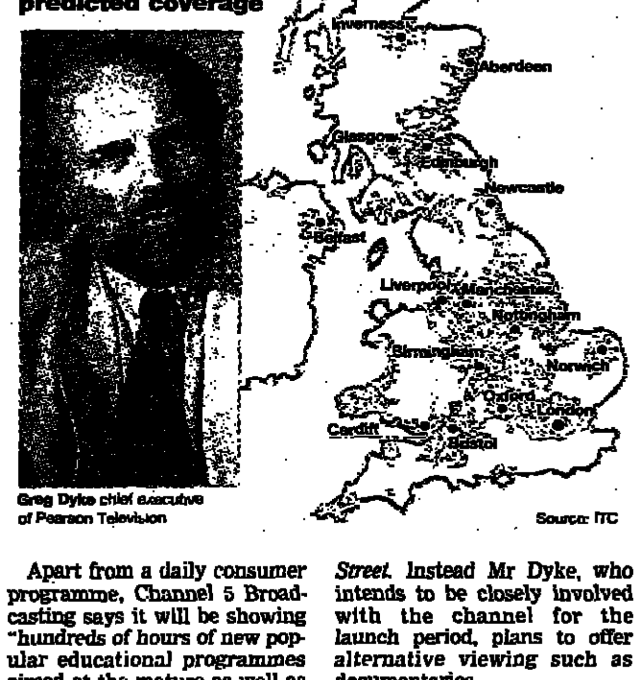
Apart from the expertise and programmes of Anglia and Meridian, Channel 5 will be able to call on the programme libraries of two Pearson subsidiaries, Thames Television and Grundy Worldwide, the maker of popular dramas.

UKTV, and to a considerable extent Virgin Television, were proposing a channel that in prime time would have been largely devoted to popular drama and entertainment, with few serious current affairs programmes or documentaries.

In contrast, Channel 5 Broadcasting is offering a schedule much more in line with the British tradition of public service broadcasting – with a wide range of programmes from popular drama to documentaries, and slots for arts, sport and religion.

Five days a week, there will be a British soap opera called *Lifeline* and a courtroom series, *Days of Justice*. But Independent Television News will also provide live news bulletins every hour and a 20-minute news programme at 8pm, followed by a 10 minute analysis of a single issue.

Channel 5: maximum predicted coverage



Greg Dyke chief executive of Pearson Television

Source: ITC

Apart from a daily consumer programme, Channel 5 Broadcasting says it will be showing "hundreds of hours of new popular educational programmes aimed at the mature as well as the young".

Mr Greg Dyke, chairman of Pearson Television and a former chief executive of London Weekend Television, believes there is no point in trying to compete directly against hugely successful programmes such as ITV's *Coronation Street*. Instead Mr Dyke, who intends to be closely involved with the channel for the launch period, plans to offer alternative viewing such as documentaries.

The channel will be "hosted" by presenters welcoming viewers and introducing programmes which will be "strip scheduled" – which means that the same sort of programmes will always be shown at the same time of day so that viewers can become familiar with the schedules.

There will, for example, always be a two-hour programme for children on Sunday mornings and an entertainment show on Saturday nights.

Defeated bidders say they were offering innovative entertainment that would have attracted large audiences and are sceptical whether Channel 5 Broadcasting will be able to sustain its more worthy promises.

It is remarkable that Channel 5 is starting at all. The first time the ITC advertised the licence only one applicant applied and bid £1,000 a year. The consortium that included Thames and Pearson was turned down in 1992 mainly on the grounds of insufficient financial commitment. Then the government caused further delays by reserving some of the Channel 5 frequencies for the launch of digital terrestrial television.

Even now – as investors become more excited about the commercial prospects of terrestrial television – Channel 5 Broadcasting faces formidable obstacles before the launch on January 1, 1997. An estimated 4m video recorders and satellite decoders will have to be retuned because they are likely to suffer interference from the Channel 5 signal. This will involve thousands of people visiting a total of 10m homes to check for interference. A further 4m homes might require a new aerial to be able to receive the new channel.

Apart from retuning costs of around £55m and the annual bid sum of just over £22m, the consortium expects to spend more than £110m a year on programmes. This compares to the total of £730m a year that ITV spends on programming.

The new Channel 5 operators expect that total cash requirement will be just over £200m – £300m on a worst-case basis – and that break-even could come in year three of the 10-year licence.

To be commercially successful Channel 5 Broadcasting will have to dislodge slices of the mass audiences of ITV and BBC1 and quickly move to a 5 per cent share of viewing in homes where Channel 5 can be received. They hope that they can then build the audience share to 10 per cent.

A former ITV sales director now working in satellite television believes the Channel 5 Broadcasting schedule will be welcomed by advertisers in search of high-income viewers. "This is fantastic news for advertisers," he said.

The launch will be a test of the power of "free" television. At about the same time, British Sky Broadcasting will be launching a 120-channel digital satellite service paid by subscription, and the government hopes broadcasters will launch more than 20 channels of digital terrestrial television. It's a challenge Mr Dyke relishes.

The rebels on the inside

Lionel Barber on the troubles within the European Commission

They make an unlikely pair. Mr Bernard Connolly, born in Manchester, is a brilliant economist fascinated by free markets, the Catholic Church and the fall of Mrs Thatcher. Mrs Ritt Bjerregaard is a Danish social democrat with expensive tastes, who delights in thumbing her nose at the establishment.

The thread tying Mr Connolly to Mrs Bjerregaard is that both have written books about life inside the European Commission. Both have landed in trouble for delivering what they consider to be home truths about the European Union. And both have raised uncomfortable questions about the Commission's willingness to tolerate – and its capacity to deal with – internal dissent.

This week, Mrs Bjerregaard, who arrived in Brussels as environment commissioner just nine months ago, was forced to abandon plans to release her Brussels diary, 2,000 copies of which were due to hit the streets in Denmark today. Instead she published a grovelling apology to colleagues and commissioners.

Mr Connolly, a senior(ish) Commission official overseeing the European Monetary System, is proving a harder nut to crack. He is planning court action to challenge his suspension without pay, following the publication last month of his book denouncing monetary union. This week, he picked up support from the staff union at the Commission.

It is tempting to put the two rogue authors in the same political bracket, but there are important differences.

Mr Connolly's *The Rotten Heart of Europe: the Dirty War for Europe's Money* is a devastating attack on the European exchange rate mechanism as a vehicle for reaching economic and monetary union. But his ranting style, heavy on xenophobia and conspiracy theory, dulls the impact of the book.

Mrs Bjerregaard's tome is more tittle-tattle than scholarly work. Her disparaging remarks about Chancellor Helmut Kohl of Germany ("distracted"), President Jacques Chirac of France ("tough") and Prime Minister Felipe González of Spain ("sapped of energy") will be familiar to anyone with a television set.

Marginally more amusing are her accounts of manoeuvres among the 20 commissioners. Sir Leon Brittan, we hear, cared passionately about winning the largely ceremonial post of vice-president. President Jacques Santer comes across as a nice guy who is not quite up to the job.

In their defence, both Mrs Bjerregaard and Mr Connolly have cited the need to lift the veil of secrecy in Brussels in order to bring EU decision-making alive to the public. Their campaign slogan is openness and transparency.

A more sober interpretation is that Mr Connolly and Mrs Bjerregaard have simply exploited loopholes in Commission rules, or gambled on the unwillingness of the authorities to enforce them.

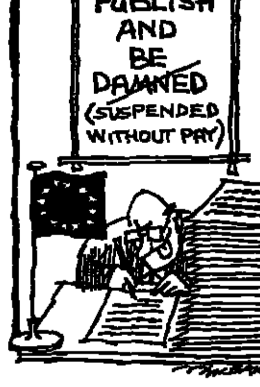
Mrs Bjerregaard, a political appointee of the Danish government, draws a commissioner's salary of more than £150,000 ($237,500) a year before tax. She began writing a regular paid column for a Danish newspaper without prior permission as soon as she arrived in Brussels.

Article 157 of the treaty of Rome states: "The members of the Commission may not, during their term of office, engage in any other occupation, whether gainful or not."

Mr Connolly joined the Commission in August 1978 as an international civil servant, and earns more than £70,000 a year before tax. Article 17 of the internal staff regulations states: "An official shall not, whether alone or together with others, publish or cause to be published without the permission of the appointing authority, any matter dealing with the work of the Communities [EU]. Permission shall be refused only where the proposed publication is liable to prejudice the interests of the Communities."

Mr Connolly argues he is, in effect, doing the people of Europe a favour by warning them about Emu. But even those sympathetic to his cause wonder why he did not resign before publishing his book.

This raises the real lessons



of the affair: the crisis in the political culture of the Commission, which by implication extends to the whole EU.

Since the foundation of the Union in 1957, the Commission has acted as umpire, power-broker and defender of the faith in a united Europe based on Franco-German reconciliation. This was a moral mission to which all employees were nominally committed.

The Brussels-based executive has fought off external challenges to its supranational authority. But it now finds itself trapped between the forces of once-dormant nationalism and a public either sceptical or indifferent to further integration. "What we're seeing is the end of the Wehrmacht generation," says one Brussels official.

Until Mr Connolly burst into print, the enemy had remained outside rather than within. This explains why the initial reaction to *Rotten Heart of Europe* was bemusement. How could anyone working inside the Commission not be committed to Emu?

The irony about Mrs Bjerregaard is that, when she was appointed, her plain speaking and her standing as a woman politician in a male-dominated institution were seen as assets. She is also a recent convert to the struggle against Euroscepticism.

The talk in the Brussels corridors this week was that Mr Jacques Delors – Mr Santer's imperious predecessor – would never have tolerated the likes of Mrs Bjerregaard. After all, Mr Delors once told a Greek commissioner he was not fit to run a taverna.

This is not Mr Santer's style: all his instincts point to compromise rather than confrontation. This week Mr Santer slapped down Mrs Bjerregaard: but seeing off Mr Connolly and his followers, who have embarked on a Eurosceptic crusade, is an altogether proposition.

Pugwash scientists did influence missile policy

From Mr Frank Blackaby.

Sir, In his otherwise sympathetic article ("Heroes and villains", October 10), Ian Davidson is, I think, rather too dismissive in his assessment of the influence of Pugwash scientists on world affairs. To take one example, he suggests that the Anti-Ballistic Missile Treaty was agreed more or less automatically once a general US-Soviet parity in nuclear weapons had been established. Not so. At the Glassboro meeting in 1967 Soviet premier Kosygin pounded the table while defending the proposition: "Defence is moral; offense is immoral."

It was at a meeting of Pugwash scientists in December of that year that three leading Soviet scientists – Millionshchikov, Artsimovich and Kapitsa – agreed that the development of ABM systems would be a bad idea.

There is no doubt that they were subsequently influential in changing Soviet policy on this point. Raymond Garthoff confirms this: "Several senior Soviet officials have privately identified this meeting as having made a significant contribution toward shifting Soviet policy away from support for ABM."

More generally, Pugwash established an extensive network of scientists who did have some influence, direct or indirect, on policy, and who shared a common view that the constant competitive development of new nuclear weapon systems and warheads was not the best way to establish a stable security structure. When Gorbachev came to power, he was ready to listen to the arguments of what was in effect an international community of scientists.

I hope Ian Davidson does not subscribe to the common western military view, that the US "won the cold war" by pushing ahead with its military programmes and so bankrupting the USSR. There is unfortunately no room, in a short letter, to explain why this is bad history.

Frank Blackaby,
9 Fentiman Road,
London SW8 1LD, UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Definition of 'criminal' must be clarified

From Mr Patrick Worrall.

Sir, In response to the article, "Russian 'criminal' list puts up for election" (October 26), I would like to suggest that as the country moves from totalitarian rule to democracy and capitalism, those who were once criminals now fit very well the new role as leaders.

Until a few years ago, anyone within the former Soviet Union who embraced the ideals of democracy and capitalism was a criminal. Now, anyone who does not embrace those ideals is condemned by the west as at the least disreputable. One must clarify the definition of "criminal" before denouncing the growth of the new democracy of Russia.

In the former Soviet Union, where capitalist ambitions were outlawed, the confusion of the government, the obscurity of the government, and corruptness of the government was important for the outlaw capitalist democrat to follow his ambitions. Shady dealings, pay-offs and rip-offs were a necessary element of doing business. However, ambition is bred by capitalism and, as the size of their business grows and the totalitarian society opens up, chaos becomes an undesirable characteristic.

Fulfilment of business ambitions is now thwarted because the risks are unclear, and those criminal capitalists who once thrived on the corruption and confusion of the government now see the consolidation of the government as mandatory for the advancement of their ambitions.

For Russia, maybe those who were once the criminals understand best why and how to create an atmosphere where the population is most able to fulfil its ambitions. And if the "criminals" sell the country to the highest bidder, at least they were elected to do so.

Patrick Worrall,
financial counsellor,
Estonian Railway State Company,
Pikk 36, Tallinn EE0100,
Estonia

No sign of contracts liabilities in British Gas report and accounts

From Mr John Ralfe.

Sir, We are warned by Ofgas, the industry regulator, that British Gas has liabilities in the form of "take-or-pay contracts", which are large enough to threaten its long-term position "Regulator warns on gas contracts", October 25).

As a small shareholder in British Gas I have searched the 60 pages of the latest report and accounts for any reference to these liabilities. I have searched in vain.

What can be "true and fair" opinion attached by one of Britain's leading auditing firms mean if it allows these huge liabilities to go unreported? Whether other worthy projects the Accounting Standards Board is tackling it should make the reporting of off-balance sheet liabilities an urgent priority.

John Ralfe,
24 Devonshire Road,
West Bridgford,
Nottingham NG2 6EU,
UK

Search for diary made by its rightful guardian

From Mrs Cicely d'Autremont Angleton and Mrs Anne Truitt.

Sir, We write to correct what in our opinion is an error in Benjamin Bradlee's recently published autobiography, *A Good Life*, reviewed by Jurek Martin on October 7 ("Editor with style, guts and gusto").

The error occurs in Mr Bradlee's account of the discovery and disposition of Mary Pinchot Meyer's personal diary [in his book Bradlee says that it was he who made a search for the diary after Mary Meyer's death and that he twice bumped into James Angleton in the process]. The fact is Mary Meyer asked Anne Truitt to ensure that, in the event of anything happening to Mary while Anne was in Japan, James Angleton take the diary into his safe keeping. When she learnt that Mary Meyer had been killed, Anne Truitt telephoned from Tokyo, finding James Angleton at the Bradlees'.

A search for the diary was carried out in Mary Meyer's house in the presence of her sister, Tony Bradlee, together with the Angletons and one other friend of Mary Meyer's. The diary was burnt some years later by Tony Bradlee, in the presence of Anne Truitt.

Cicely d'Autremont Angleton,
Anne Truitt,
4814-33rd Road North,
Arlington,
Virginia 22207, US

Reasonable definition emerging

From Mr John Donovan.

Sir, As I am sure Mr Godfrey Chandler (Letters, October 24) knows, the word "bancassurer" has yet to be clearly defined. A reasonable person might take it to mean "a financial organisation anxious to devise all possible methods to divert funds from its customers to its insurance sales, and thereby increase its own earnings at the customers' expense".

John Donovan,
17A La Pleta d'Ordino,
Principality of Andorra

CURRENCIES AND MONEY

MARKETS REPORT

Franc rallies

By Philip Gawith

A sharp rally in the French franc was the main movement on the foreign exchanges yesterday, prompted by comments from President Jacques Chirac which appeared to indicate renewed commitment to the *franc fort* policy.

The Franc's gains helped other European currencies recover recent losses against the D-Mark. It finished in London nearly four centimes firmer, at FFr3.478 against the D-Mark, from FFr3.515. The lira also strengthened, following the failure on Thursday of a no-confidence vote. It finished at L1,139, from L1,143.

The weaker D-Mark, coupled with a strong third quarter US GDP figure, which removed the prospect of any near term cut in interest rates, buoyed the dollar. After earlier slipping down to DM1.39, it recovered to keep its nose above DM1.40, closing at DM1.4006, from DM1.4017. Against the yen it closed at Y101.7, from Y101.8.

The Canadian dollar finished slightly weaker against the dollar, at C$1.3703, from C$1.3655, ahead of Monday's referendum in Quebec, with traders taking to the sidelines until the result is known.

In Mexico, meanwhile, the peso recovered some of the losses suffered in the sharp sell-off on Thursday. The 24-hour peso was up 12 centavos, around 7.095 pesos, in afternoon Mexican trading.

■ Pound in New York

Oct 27	—Latest—	— Prev. close —
£ spot	1.5785	1.5835
1 mth	1.5774	1.5825
3 mth	1.5754	1.5833
1 yr	1.5646	1.5588

Sterling finished firmer against both the D-Mark and dollar, closing at DM2.2129, from DM2.2063, and at $1.5801 from $1.5741.

■ Markets were much taken by Mr Chirac's comments, made in television interview, where he recommitted the country to a programme of fiscal austerity, and said there was *"no reason whatsoever to devalue the franc."*

Analysts said the comments were noteworthy in that they represented his most unambiguous defence, since being elected president, of the *franc fort* policy. Previously markets had been concerned that the incompatibility of Mr Chirac's aims of reducing unemployment, while keeping the fiscal reins tight, would inevitably require a devaluation.

The sharp movement in the franc yesterday, following a similar move in the lira on *Thursday, was the product,* said one trader, of a market that had been positioned in expectation of "further disintegration in Europe".

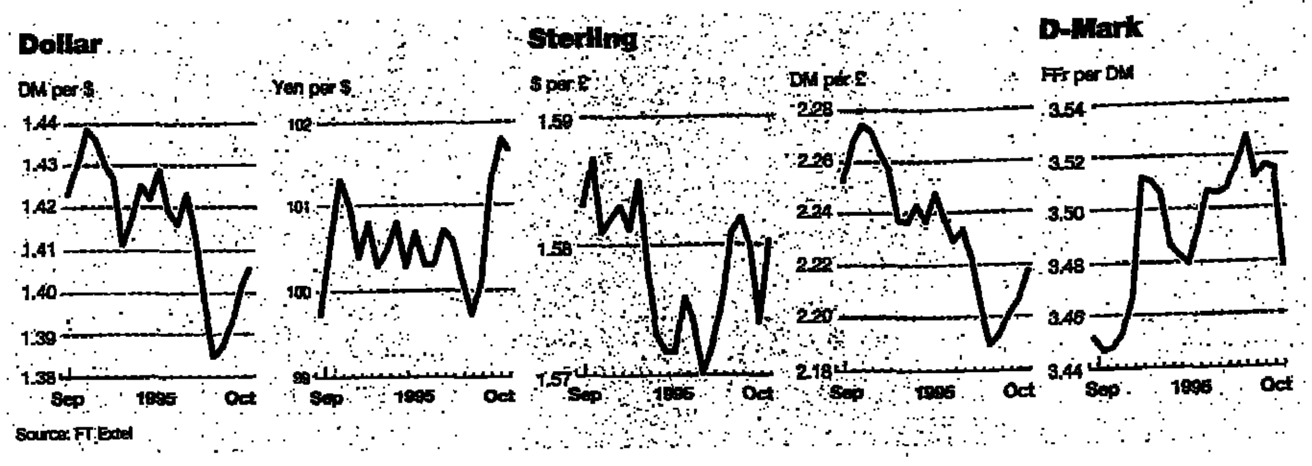
Mr Kit Juckes, currency strategist at Natwest Markets in London, said: "A lot of people got very long of the D-Mark, so today's moves were corrections of that." But he was sceptical whether the franc's move was anything more than a correction within the trend of a strong D-Mark.

"Mr Chirac helped the franc out of its latest mini-crisis, but it was simply the latest in what will prove to be a long series of mini-crises," said Mr Juckes. He said that until the French were able to attend to the needs of their real economy with lower interest rates, such bouts of exchange rate volatility seemed inevitable.

At the moment, he said, there was a stand-off between speculators who were willing to bet on a collapse in the franc, and the French politicians who were not yet ready to abandon *franc fort.*

Mr Juckes said, however, that stuck between the vice of German monetary policy, and the need for domestic fiscal stringency, the French authorities "do not have the policy tool to get the economy moving towards any kind of economic equilibrium."

■ The Bank of England cleared a £1.05bn money market shortage.



Source: FT Extel

POUND SPOT FORWARD AGAINST THE POUND

Oct 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5759	+0.0455	668 - 850	15.5890	15.4836	15.5455	2.3	15.4889	2.3	-	-	107.3
Belgium	(BFr)	45.4739	+0.1255	322 - 155	45.6320	45.1940	45.3789	2.5	45.1889	2.5	44.4539	2.2	110.0
Denmark	(DKr)	8.5805	+0.009	762 - 847	8.5938	8.5288	8.5729	1.1	8.5563	1.1	8.4938	1.0	110.4
Finland	(FM)	6.6797	+0.0206	723 - 871	6.6878	6.6330	6.6753	0.8	6.6673	0.7	-	-	88.1
France	(FFr)	7.6964	-0.0566	923 - 005	7.7567	7.6765	7.7033	-1.1	7.7088	-0.6	7.7035	-0.1	110.2
Germany	(DM)	2.2129	+0.0066	117 - 141	2.2189	2.1984	2.2077	2.8	2.1984	2.6	2.1574	2.5	112.9
Greece	(Dr)	364.984	-0.158	800 - 167	365.912	362.975	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9748	+0.0007	739 - 756	0.9758	0.9726	0.974	1.0	0.9727	0.9	0.9695	0.5	97.4
Italy	(L)	2520.73	-0.51	883 - 263	2528.34	2512.53	2527.98	-3.5	2542.88	-3.5	2611.03	-3.6	69.6
Luxembourg	(LFr)	45.4739	+0.1255	322 - 155	45.6320	45.1940	45.3789	2.5	45.1889	2.5	44.4539	2.2	110.0
Netherlands	(Fl)	2.4783	+0.0082	779 - 806	2.4875	2.4638	2.4728	3.1	2.4619	2.8	2.4157	2.6	110.0
Norway	(NKr)	9.8050	+0.0191	005 - 095	9.8388	9.7299	9.7926	1.5	9.7707	1.4	9.6952	1.1	99.0
Portugal	(Es)	233.650	+0.187	480 - 820	234.136	232.575	234.19	-2.8	235.41	-3.0	-	-	95.3
Spain	(Pta)	192.134	-0.38	013 - 256	192.975	191.780	192.634	-3.1	193.574	-3.0	197.974	-3.0	81.1
Sweden	(SKr)	10.4370	-0.0242	287 - 452	10.4941	10.3792	10.4392	-0.3	10.4437	-0.3	10.4671	-0.3	86.1
Switzerland	(SFr)	1.7893	-0.004	882 - 903	1.7920	1.7801	1.7822	4.8	1.7703	4.2	1.7174	4.0	116.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.8
Ecu	-	1.2072	-0.0002	064 - 079	1.2096	1.2012	1.2061	1.1	1.2039	1.1	1.1945	1.1	-
SDR†	-	1.05063	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5798	+0.006	794 - 802	1.5835	1.5790	-	-	-	-	-	-	-
Brazil	(R$)	1.5189	+0.0058	184 - 194	1.5238	1.5179	-	-	-	-	-	-	-
Canada	(C$)	2.1651	+0.0158	642 - 659	2.1774	2.1579	2.1662	-0.6	2.1682	-0.6	2.172	-0.3	83.3
Mexico	(New Peso)	11.2105	+0.2787	685 - 524	11.4739	11.1677	-	-	-	-	-	-	-
USA	($)	1.5801	+0.006	797 - 804	1.5840	1.5788	1.579	0.8	1.5769	0.8	1.5651	0.9	93.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0946	+0.011	934 - 957	2.0973	2.0928	2.0959	-0.7	2.0987	-0.8	2.1135	-0.9	86.3
Hong Kong	(HK$)	12.2185	+0.0472	150 - 220	12.2486	12.2096	12.215	0.3	12.2026	0.5	12.169	0.4	-
India	(Rs)	56.0128	+0.0553	214 - 042	56.4550	55.9070	-	-	-	-	-	-	-
Israel	(Shk)	4.7975	+0.0274	925 - 025	4.8027	4.7789	-	-	-	-	-	-	-
Japan	(Y)	160.691	+0.453	577 - 806	160.970	159.330	159.776	6.8	158.166	6.3	151.241	5.9	140.7
Malaysia	(M$)	4.0015	+0.005	998 - 032	4.0188	3.9969	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4055	+0.0095	037 - 073	2.4077	2.4030	2.4114	-3.0	2.4207	-2.5	2.4463	-1.7	100.9
Philippines	(Peso)	41.0339	+0.1085	458 - 220	41.1244	40.9373	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9260	+0.0225	243 - 276	5.9405	5.9216	-	-	-	-	-	-	-
Singapore	(S$)	2.2363	+0.0083	350 - 375	2.2405	2.2335	-	-	-	-	-	-	-
South Africa	(R)	5.7439	+0.0218	414 - 463	5.7572	5.7405	-	-	-	-	-	-	-
South Korea	(Won)	1210.24	+4.91	989 - 059	1213.19	1209.36	-	-	-	-	-	-	-
Taiwan	(T$)	42.5950	+0.1649	824 - 076	42.6983	42.5644	-	-	-	-	-	-	-
Thailand	(Bt)	39.7087	+0.1665	621 - 313	39.7800	39.6760	-	-	-	-	-	-	-

† Rates for Oct 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.8579	-0.0086	543 - 614	9.8850	9.7750	9.8428	1.8	9.8127	1.8	9.7034	1.6	107.5
Belgium	(BFr)	28.7800	-0.03	600 - 000	28.8510	28.5600	28.739	1.7	28.68	1.7	28.36	1.5	109.8
Denmark	(DKr)	5.4305	-0.015	290 - 320	5.4400	5.3850	5.4313	-0.2	5.427	0.3	5.4365	-0.1	109.6
Finland	(FM)	4.2276	-0.003	238 - 313	4.2323	4.1945	4.2271	0.1	4.2261	0.1	4.2216	0.1	87.5
France	(FFr)	4.8710	-0.0545	695 - 725	4.9070	4.8530	4.8795	-2.1	4.8895	-1.5	4.911	-0.8	108.7
Germany	(DM)	1.4006	-0.0011	001 - 010	1.4035	1.3884	1.3984	1.9	1.3941	1.9	1.3755	1.8	112.4
Greece	(Dr)	230.995	-0.98	930 - 060	231.600	229.160	232.72	-9.0	235.92	-8.5	249.395	-8.0	66.5
Ireland	(I£)	1.6210	+0.005	200 - 220	1.6261	1.6190	1.6212	-0.1	1.6213	-0.1	1.6278	-0.4	-
Italy	(L)	1595.35	-6.4	450 - 620	1598.70	1588.50	1602.1	-5.1	1614.15	-4.7	1671.35	-4.8	69.0
Luxembourg	(LFr)	28.7800	-0.03	600 - 000	28.8510	28.5600	28.739	1.7	28.68	1.7	28.36	1.5	109.8
Netherlands	(Fl)	1.5691	-0.0008	686 - 696	1.5739	1.5554	1.5664	2.0	1.5614	2.0	1.5413	1.8	109.5
Norway	(NKr)	6.2055	-0.0115	040 - 070	6.2225	6.1558	6.2017	0.7	6.1955	0.6	6.1855	0.3	98.1
Portugal	(Es)	147.875	-0.445	800 - 950	148.300	146.800	148.34	-3.8	149.35	-4.0	153.975	-4.1	95.4
Spain	(Pta)	121.600	-0.705	550 - 650	122.260	121.140	121.96	-3.6	122.75	-3.8	126.245	-3.8	80.5
Sweden	(SKr)	6.6055	-0.0406	017 - 092	6.6385	6.5819	6.623	-3.2	6.6595	-3.3	6.828	-3.4	85.2
Switzerland	(SFr)	1.1324	-0.0069	320 - 328	1.1352	1.1242	1.1288	3.8	1.1227	3.4	1.0949	3.3	115.8
UK	(£)	1.5801	+0.006	797 - 804	1.5840	1.5788	1.579	0.8	1.5769	0.8	1.5651	0.9	83.2
Ecu	-	1.3089	+0.0052	084 - 094	1.3185	1.3055	1.3093	-0.4	1.31	-0.3	1.3123	-0.3	-
SDR†	-	0.66563	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0001	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	0.9613	-	612 - 614	0.9624	0.9610	-	-	-	-	-	-	-
Canada	(C$)	1.3703	+0.0048	700 - 705	1.3770	1.3657	1.372	-1.4	1.375	-1.4	1.3873	-1.2	82.6
Mexico	(New Peso)	7.0950	+0.15	700 - 200	7.1600	7.0600	7.0972	-0.4	7.1004	-0.3	7.1053	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3256	+0.002	252 - 261	1.3268	1.3241	1.3274	-1.6	1.331	-1.6	1.3507	-1.9	87.6
Hong Kong	(HK$)	7.7330	+0.0005	325 - 335	7.7337	7.7318	7.7345	-0.2	7.7365	-0.2	7.7567	-0.3	-
India	(Rs)	35.4500	-0.1	000 - 000	35.7200	35.4000	35.6	-5.1	35.905	-5.1	37.375	-5.4	-
Israel	(Shk)	3.0363	+0.0058	338 - 388	3.0399	3.0241	-	-	-	-	-	-	-
Japan	(Y)	101.700	-0.1	650 - 750	101.770	100.640	101.205	5.8	100.285	5.6	96.41	5.2	141.2
Malaysia	(M$)	2.5325	-0.0065	320 - 330	2.5400	2.5280	2.5325	0.0	2.5329	-0.1	2.5405	-0.3	-
New Zealand	(NZ$)	1.5223	+0.0002	216 - 232	1.5240	1.5194	1.5264	-3.2	1.5339	-3.0	1.5586	-2.4	-
Philippines	(Peso)	25.9700	-0.03	200 - 200	26.0200	25.9200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7502	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4153	-0.0014	148 - 156	1.4160	1.4130	1.4119	2.9	1.4056	2.8	1.3808	2.4	-
South Africa	(R)	3.6353	-	345 - 360	3.6370	3.6320	3.6606	-8.3	3.7106	-8.3	3.9418	-8.4	-
South Korea	(Won)	765.950	+0.2	900 - 000	766.800	765.900	768.95	-4.7	772.45	-3.4	790.95	-3.3	-
Taiwan	(T$)	26.9580	+0.002	560 - 600	26.9600	26.9550	26.978	-0.9	27.018	-0.9	-	-	-
Thailand	(Bt)	25.1300	+0.01	200 - 400	25.1400	25.1180	25.2175	-4.2	24.955	4.2	26.085	-3.8	-

† SDR rate per $ for Oct 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 26. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$3\frac{5}{8}$	$4\frac{1}{8}$	$4\frac{1}{4}$	$4\frac{3}{8}$	$4\frac{3}{8}$	8.00	3.50	-
week ago	$4\frac{1}{4}$	$4\frac{1}{8}$	$4\frac{3}{8}$	$4\frac{3}{8}$	$4\frac{3}{8}$	8.00	3.50	-
France	$7\frac{3}{8}$	$6\frac{5}{8}$	$6\frac{3}{8}$	$6\frac{3}{8}$	$6\frac{3}{8}$	5.00	-	7.00
week ago	$6\frac{3}{4}$	$6\frac{5}{8}$	$6\frac{5}{8}$	$6\frac{3}{8}$	$6\frac{3}{8}$	5.00	-	7.00
Germany	$4\frac{1}{4}$	$4\frac{1}{8}$	$4\frac{1}{4}$	4	4	5.50	3.50	4.03
week ago	$4\frac{1}{4}$	$4\frac{1}{8}$	$4\frac{1}{4}$	$4\frac{1}{8}$	$4\frac{1}{8}$	5.50	3.50	4.03
Ireland	$5\frac{7}{8}$	$5\frac{5}{8}$	$5\frac{3}{4}$	$5\frac{7}{8}$	$6\frac{1}{8}$	-	-	6.25
week ago	$5\frac{7}{8}$	$5\frac{5}{8}$	$5\frac{3}{4}$	6	$6\frac{3}{8}$	-	-	6.25
Italy	$10\frac{1}{2}$	$10\frac{1}{2}$	$10\frac{5}{8}$	$10\frac{3}{8}$	$10\frac{5}{8}$	-	9.00	10.77
week ago	$10\frac{5}{8}$	$10\frac{1}{2}$	$10\frac{3}{8}$	$10\frac{5}{8}$	$10\frac{7}{8}$	-	9.00	10.38
Netherlands	$3\frac{5}{8}$	$3\frac{5}{8}$	$3\frac{3}{8}$	$3\frac{5}{8}$	4	-	3.50	3.70
week ago	$3\frac{3}{4}$	$3\frac{5}{8}$	$3\frac{3}{8}$	$3\frac{5}{8}$	$4\frac{1}{8}$	-	3.50	3.70
Switzerland	$1\frac{5}{8}$	$1\frac{5}{8}$	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{1}{8}$	5.00	2.00	-
week ago	2	$1\frac{5}{8}$	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{1}{4}$	5.00	2.00	-
US	$5\frac{5}{8}$	$5\frac{3}{4}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	-	5.25	-
week ago	$5\frac{3}{4}$	$5\frac{3}{4}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{3}{4}$	-	5.25	-
Japan	$\frac{1}{2}$	$\frac{3}{8}$	$\frac{3}{8}$	$\frac{3}{8}$	$\frac{1}{2}$	-	0.50	-
week ago	$\frac{3}{8}$	$\frac{3}{8}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{3}{8}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	-	-	-
week ago	-	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	-	-	-
US Dollar CDs	-	5.60	5.58	5.57	5.57	-	-	-
week ago	-	5.60	5.60	5.61	5.64	-	-	-
ECU Linked Ds	-	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	-	-	-
week ago	-	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	-	-	-
SDR Linked Ds	-	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{3}{4}$	-	-	-
week ago	-	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{3}{4}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$4\frac{1}{8}$ - $3\frac{13}{16}$	$4\frac{1}{8}$ - $3\frac{13}{16}$	$4\frac{3}{16}$ - $4\frac{1}{16}$	$4\frac{3}{8}$ - $4\frac{1}{4}$	$4\frac{7}{16}$ - $4\frac{5}{16}$	$4\frac{9}{16}$ - $4\frac{7}{16}$
Danish Krone	$5\frac{3}{8}$ - $4\frac{7}{8}$	$5\frac{1}{2}$ - $5\frac{1}{4}$	$5\frac{5}{8}$ - $5\frac{7}{16}$	$5\frac{3}{4}$ - $5\frac{5}{8}$	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{15}{16}$ - $5\frac{13}{16}$
D-Mark	4 - $3\frac{7}{8}$	$4\frac{1}{8}$ - 4	$4\frac{1}{8}$ - 4	$4\frac{1}{8}$ - 4	$4\frac{1}{8}$ - 4	$4\frac{1}{8}$ - 4
Dutch Guilder	$3\frac{7}{8}$ - $3\frac{3}{4}$	$3\frac{7}{8}$ - $3\frac{3}{4}$	$3\frac{7}{8}$ - $3\frac{13}{16}$	$3\frac{15}{16}$ - $3\frac{13}{16}$	4 - $3\frac{15}{16}$	$4\frac{1}{16}$ - $3\frac{15}{16}$
French Franc	$6\frac{1}{4}$ - $5\frac{7}{8}$	$6\frac{7}{8}$ - $6\frac{5}{8}$	$6\frac{7}{8}$ - $6\frac{5}{8}$	$6\frac{7}{8}$ - $6\frac{5}{8}$	$6\frac{3}{4}$ - $6\frac{1}{2}$	$6\frac{7}{16}$ - $6\frac{3}{16}$
Portuguese Esc.	$8\frac{15}{16}$ - $8\frac{13}{16}$	$8\frac{15}{16}$ - $8\frac{13}{16}$	$9\frac{1}{8}$ - 9	$9\frac{5}{16}$ - $9\frac{3}{16}$	$9\frac{7}{16}$ - $9\frac{1}{4}$	$9\frac{5}{8}$ - $9\frac{7}{16}$
Spanish Peseta	$9\frac{3}{8}$ - $9\frac{1}{4}$	$9\frac{3}{8}$ - $9\frac{1}{4}$	$9\frac{7}{16}$ - $9\frac{5}{16}$	$9\frac{9}{16}$ - $9\frac{7}{16}$	$9\frac{5}{8}$ - $9\frac{1}{2}$	$9\frac{13}{16}$ - $9\frac{11}{16}$
Sterling	$6\frac{5}{8}$ - $6\frac{1}{2}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$6\frac{11}{16}$ - $6\frac{5}{8}$	$6\frac{3}{4}$ - $6\frac{11}{16}$	$6\frac{25}{32}$ - $6\frac{23}{32}$	$6\frac{13}{16}$ - $6\frac{3}{4}$
Swiss Franc	2 - $1\frac{7}{8}$	$2\frac{1}{8}$ - 2	$2\frac{1}{16}$ - $1\frac{15}{16}$	$2\frac{3}{16}$ - $2\frac{1}{16}$	$2\frac{3}{16}$ - $2\frac{1}{16}$	$2\frac{1}{4}$ - $2\frac{1}{8}$
Can. Dollar	$6\frac{3}{8}$ - $6\frac{1}{16}$	$6\frac{13}{16}$ - $6\frac{5}{8}$	$7\frac{1}{8}$ - 7	$7\frac{1}{16}$ - $7\frac{1}{16}$	$7\frac{1}{16}$ - $6\frac{15}{16}$	$7\frac{1}{16}$ - $6\frac{15}{16}$
US Dollar	$5\frac{3}{4}$ - $5\frac{1}{2}$	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{7}{8}$ - $5\frac{3}{4}$	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{7}{8}$ - $5\frac{3}{4}$	$5\frac{13}{16}$ - $5\frac{5}{8}$
Italian Lira	$10\frac{11}{16}$ - $10\frac{7}{16}$	$10\frac{5}{8}$ - $10\frac{3}{8}$	$10\frac{7}{16}$ - $10\frac{7}{16}$	$10\frac{3}{4}$ - $10\frac{5}{8}$	$10\frac{13}{16}$ - $10\frac{11}{16}$	$10\frac{7}{8}$ - $10\frac{3}{4}$
Yen	$\frac{9}{16}$ - $\frac{7}{16}$	$\frac{3}{4}$ - $\frac{5}{8}$	$\frac{1}{2}$ - $\frac{3}{8}$	$\frac{13}{32}$ - $\frac{5}{16}$	$\frac{13}{32}$ - $\frac{5}{16}$	$\frac{7}{16}$ - $\frac{1}{4}$
Asian $Sing	$1\frac{1}{4}$ - $1\frac{1}{8}$	$2\frac{5}{8}$ - $2\frac{1}{2}$	$2\frac{13}{16}$ - $2\frac{11}{16}$	$2\frac{15}{16}$ - $2\frac{13}{16}$	3 - $2\frac{7}{8}$	$3\frac{1}{8}$ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.38	93.38	+0.30	93.40	93.08	96,120	41,317
Mar	93.88	94.09	+0.21	94.09	93.88	18,361	32,730
Jun	94.32	94.40	+0.11	94.40	94.31	7,863	31,561

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.97	95.97	-	95.99	95.96	12257	138129
Mar	96.11	96.10	-0.02	96.13	96.10	21789	155532
Jun	96.04	96.03	-0.02	96.06	96.03	18461	126552
Sep	95.87	95.86	-0.02	95.88	95.84	12191	92398

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.31	89.40	+0.02	89.45	89.29	11300	31926
Mar	89.61	89.65	+0.01	89.65	89.55	4985	27192
Jun	89.79	89.83	-	89.84	89.73	951	15029
Sep	89.86	89.91	+0.02	89.91	89.80	429	7998

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.90	97.94	+0.07	97.96	97.88	2555	20921
Mar	97.96	98.01	+0.05	98.03	97.96	3589	18649
Jun	97.89	97.93	+0.05	97.94	97.89	712	6373
Sep	97.71	97.73	+0.05	97.75	97.70	426	3222

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.25	94.29	+0.07	94.30	94.25	1668	8315
Mar	94.45	94.46	+0.03	94.46	94.44	464	3767
Jun	94.43	94.44	-0.01	94.45	94.43	24	2446
Sep	94.35	94.26	-0.01	94.35	94.27	145	1551

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.87	16.93	4.867	2.144	5544	5.452	21.56	514.0	422.5	22.96	3.934	2.199	4.761	3.475	353.4	2.654
Denmark	(DKr)	52.99	10	8.969	2.579	1.136	2938	2.889	11.43	272.3	223.9	12.17	2.085	1.165	2.523	1.841	187.3	1.407
France	(FFr)	59.08	11.15	10	2.876	1.267	3276	3.221	12.74	303.7	249.6	13.57	2.325	1.299	2.813	2.053	208.8	1.568
Germany	(DM)	20.55	3.878	3.478	1	0.441	1139	1.120	4.431	105.6	86.81	4.718	0.808	0.452	0.978	0.714	72.62	0.545
Ireland	(I£)	46.64	8.801	7.893	2.270	1	2586	2.543	10.06	239.7	197.0	10.71	1.835	1.026	2.221	1.621	164.8	1.238
Italy	(L)	1.804	0.340	0.305	0.088	0.039	100.	0.098	0.389	9.270	7.620	0.414	0.071	0.040	0.086	0.063	6.374	0.048
Netherlands	(Fl)	18.34	3.461	3.104	0.893	0.393	1017	1	3.955	94.27	77.49	4.211	0.722	0.403	0.873	0.637	64.82	0.487
Norway	(NKr)	46.37	8.752	7.849	2.257	0.994	2571	2.528	10	238.3	195.9	10.65	1.825	1.020	2.208	1.611	163.9	1.231
Portugal	(Es)	19.46	3.672	3.293	0.947	0.417	1079	1.061	4.196	100.	82.20	4.467	0.766	0.428	0.926	0.676	68.76	0.516
Spain	(Pta)	23.67	4.467	4.006	1.152	0.508	1312	1.290	5.104	121.7	100.	5.435	0.931	0.521	1.127	0.822	83.65	0.628
Sweden	(SKr)	43.55	8.219	7.372	2.120	0.934	2415	2.375	9.392	223.9	184.0	10	1.714	0.958	2.074	1.513	153.9	1.156
Switzerland	(SFr)	25.42	4.797	4.302	1.237	0.545	1409	1.386	5.481	130.6	107.4	5.836	1	0.559	1.210	0.883	89.83	0.675
UK	(£)	45.47	8.581	7.696	2.213	0.975	2521	2.479	9.805	233.7	192.1	10.44	1.789	1	2.165	1.580	160.7	1.207
Canada	(C$)	21.00	3.964	3.555	1.022	0.450	1164	1.145	4.529	107.9	88.73	4.822	0.826	0.462	1	0.730	74.23	0.558
US	($)	28.78	5.431	4.871	1.401	0.617	1596	1.569	6.206	147.9	121.6	6.608	1.132	0.633	1.370	1	101.7	0.764
Japan	(Y)	28.29	5.340	4.789	1.377	0.607	1569	1.543	6.101	145.4	119.5	6.497	1.113	0.622	1.347	0.983	100.	0.751
Ecu		37.67	7.109	6.376	1.833	0.808	2089	2.054	8.123	193.6	159.2	8.650	1.482	0.829	1.794	1.309	133.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Oct 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.08950	+0.00172	-2.91	7.29	22
Belgium	39.3960	38.3594	+0.0297	-2.63	6.98	19
Germany	1.91007	1.86517	+0.00187	-2.35	6.67	23
Austria	13.4383	13.1286	+0.1235	-2.30	6.62	17
Denmark	7.28580	7.25217	+0.0097	-0.46	4.65	3
Spain	162.493	162.743	+0.021	0.15	4.01	-1
Portugal	195.792	197.338	+0.017	0.79	3.35	-5
France	6.40608	6.51804	-0.03419	1.75	2.38	-15
Ireland	0.792214	0.825211	+0.001733	4.17	0.00	-26
NON ERM MEMBERS						
Greece	292.867	308.216	-0.609	5.24	-1.02	-
Italy	2106.15	2138.07	+9.8	1.52	2.61	-
UK	0.786652	0.847053	+0.001653	7.68	-3.26	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7209	0.7124	-0.0097	0.7221	0.7112	36,557	53,569
Mar	0.7223	0.7155	-0.0097	0.7248	0.7147	143	3,430
Jun	0.7214	0.7185	-0.0097	0.7214	0.7195	5	172

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8881	0.8838	-0.0060	0.8946	0.8828	19,588	33,689
Mar	0.9017	0.8918	-0.0058	0.9020	0.8915	69	1,986
Jun	0.9010	0.8996	-0.0057	0.9010	0.8990	8	406

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.9950	0.9897	-0.0059	1.0010	0.9885	21,851	61,464
Mar	1.0096	1.0038	-0.0059	1.0150	1.0040	573	8,228
Jun	1.0165	1.0168	-0.0059	-	1.0195	14	383

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5842	1.5760	-0.0062	1.5842	1.5752	8,187	34,472
Mar	1.5780	1.5724	-0.0062	1.5780	1.5710	5	216
Jun	-	1.5684	-0.0062	-	1.5690	2	10

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.540	3.82	4.14	4.58	0.03	0.43	0.92
1.550	2.85	3.38	3.87	0.07	0.62	1.22
1.560	2.00	2.66	3.23	0.19	0.92	1.58
1.570	1.23	2.09	2.66	0.33	1.30	2.00
1.580	0.64	1.61	2.20	0.75	1.53	2.51
1.590	0.28	1.56	1.76	1.38	1.79	3.01

Previous day's vol., Calls 5,808 Puts 4,949 . Prev. day's open int., Calls 251,997 Puts 299,137

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.24	94.23	-	94.24	94.15	91,069	393,629
Mar	94.48	94.50	+0.01	94.50	94.34	173,609	381,804
Jun	94.48	94.48	+0.01	94.50	94.33	104,614	267,819

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.84	94.83	-0.01	94.84	94.76	1,813	11,843
Mar	94.97	94.99	-	94.99	94.87	1,947	5,409
Jun	94.88	94.99	-	94.99	94.88	21	258

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9575	0.23	0.24	0.40	0.42	0.01	0.02	0.03	0.05
9600	0.03	0.07	0.19	0.24	0.06	0.10	0.07	0.12
9625	0	0.02	0.06	0.11	0.28	0.30	0.19	0.24

Est. vol. total, Calls 7706 Puts 8725. Previous day's open int., Calls 230623 Puts 227299

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9775	0.17	0.28	0.33	0.05	0.07	0.20
9800	0.04	0.12	0.19	0.17	0.16	0.31
9825	0.02	0.05	0.09	0.40	0.34	0.46

Est. vol. total, Calls 950 Puts 0. Previous day's open int., Calls 5279 Puts 1475

UK INTEREST RATES

LONDON MONEY RATES

Oct 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - $5\frac{3}{4}$	$6\frac{11}{16}$ - $6\frac{1}{2}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$6\frac{13}{16}$ - $6\frac{11}{16}$	$6\frac{13}{16}$ - $6\frac{11}{16}$	$6\frac{7}{8}$ - $6\frac{3}{4}$
Sterling CDs	-	-	$6\frac{5}{8}$ - $6\frac{9}{16}$	$6\frac{11}{16}$ - $6\frac{5}{8}$	$6\frac{23}{32}$ - $6\frac{21}{32}$	$6\frac{3}{4}$ - $6\frac{11}{16}$
Treasury Bills	-	-	$6\frac{5}{8}$ - $6\frac{9}{16}$	$6\frac{19}{32}$ - $6\frac{17}{32}$	-	-
Bank Bills	-	-	$6\frac{5}{8}$ - $6\frac{9}{16}$	$6\frac{5}{8}$ - $6\frac{9}{16}$	$6\frac{5}{8}$ - $6\frac{9}{16}$	-
Local authority deps.	$6\frac{13}{16}$ - $6\frac{11}{16}$	$6\frac{9}{16}$ - $6\frac{7}{16}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$6\frac{3}{4}$ - $6\frac{5}{8}$	$6\frac{3}{4}$ - $6\frac{11}{16}$	$6\frac{3}{4}$ - $6\frac{11}{16}$
Discount Market deps	$6\frac{5}{8}$ - 6	$6\frac{5}{8}$ - $6\frac{1}{2}$	-	-	-	-

UK clearing bank base lending rate $6\frac{3}{4}$ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	$5\frac{3}{4}$	$5\frac{3}{4}$	6	$6\frac{1}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc.
Ave. tender rate of discount 6.5348pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.28	93.33	+0.03	93.35	93.26	11859	86641
Mar	93.39	93.43	+0.01	93.46	93.33	20728	64672
Jun	93.34	93.38	+0.01	93.41	93.28	8498	46443
Sep	93.18	93.22	-	93.25	93.11	11086	36898
Dec	92.95	92.99	-	92.99	92.90	1638	26390

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.14	0.37	0.49	0.09	0.20	0.37
9350	0.04	0.23	0.36	0.24	0.31	0.49
9375	0.01	0.13	0.25	0.46	0.48	0.63

Est. vol. total, Calls 4950 Puts 5509. Previous day's open int., Calls 137854 Puts 136235

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8925	0.44	0.80	1.01	0.31	0.41	0.43
8950	0.29	0.65	0.85	0.41	0.51	0.62
8975	0.17	0.52	0.71	0.54	0.63	0.63

Est. vol. total, Calls 320 Puts 125. Previous day's open int., Calls 12640 Puts 8633

■ OTHER CURRENCIES

Oct 27	£	$
Czech Rp	41.1484 - 41.1805	26.0470 - 26.0570
Hungary	206.656 - 206.827	130.820 - 130.870
Iran	4741.20 - 4739.10	3000.00 - 3000.00
Kuwait	0.4738 - 0.4741	0.2999 - 0.3000
Poland	3.8560 - 3.8625	2.4410 - 2.4440
Russia	7135.51 - 7137.08	4515.00 - 4518.00
U.A.E.	5.8019 - 5.8048	3.6728 - 3.6730

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in Monday's edition.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

AXA Equity & Law Unit Tst Mngrs (1200)H

Abbey National Unit Trust Managers Ltd (1200)F

Baring Fund Managers Ltd (1200)H

Blackstone Franks UT Mngrs Ltd (0900)F

Britannia Fund Managers Ltd (1000)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of AUTIF

FT MANAGED FUNDS SERVICE

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Old Mutual Fund Managers Ltd (1200)H

2 Bartley Way, Hook, Hants RG27 9XA 01256 768888

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Emerging Asia Acc.	5½		207.80	226.00	-1.10	0.14
Emerging Asia Inc.	5½		206.90	225.20	-1.00	0.14
European Acc.	5½		236.30	256.30	-3.10	0.42
European Inc	5½		250.50	272.50	-2.80	0.42
Gold Trust Acc	5½		71.61	78.44	-0.32	0.19
Gold Trust Inc	5½		70.94	77.71	-0.31	0.19
Hong Kong Acc.	5½		166.50	180.80	-2.30	1.64
Hong Kong Inc	5½		144.80	155.80	-2.00	1.64
Int Mngd PEP Acc	5½		68.54	74.45	-0.86	1.49
Int Mngd PEP Inc	5½		63.87	69.36	-0.79	1.49
Japan Acc	5½		97.04	103.50	-1.70	0.00
Japan Inc	5½		96.85xd	103.30	-1.70	0.00
Latin American Cmp Acc.	5½		53.50	58.08	-2.37	0.33
Latin American Cmp Inc.	5½		53.60	58.00	-2.37	0.33
New Zealand Acc.	5½		103.80	111.40	-0.80	1.84
New Zealand Inc.	5½		95.85xd	102.80	-0.80	1.84
Nth American Acc.	5½		119.30	127.80	-2.40	0.32
Nth American Inc.	5½		112.40	120.50	-2.40	0.32
Swiss Equities Acc.	5½		83.06	88.73	-0.79	0.11
Swiss Equities Inc.	5½		82.17	87.78	-0.78	0.11
Thailand Acc.	5½		163.98	178.40	-0.90	1.30
Thailand Inc	5½		161.80	176.00	-1.00	1.30
UK All Share Mnmr Acc.	5½		67.84	72.52	-0.58	2.54
UK All Share Mnmr Inc.	5½		63.26	67.64	-0.54	2.54
UK Money Mkt Acc	0		74.62	74.62	+0.01	6.34
UK Money Mkt Inc	0		60.56	60.56	+0.01	6.34
Worldwide Acc	5½		172.30	185.00	-2.60	0.39
Worldwide Inc.	5½		161.40xd	173.30	-2.40	0.39
W'wide Bond Acc.	5½		90.18	95.28	-0.14	5.21
W'wide Bond Inc.	5½		84.37xd	89.09	-0.10	5.21
Broker Unit Trusts						
AAM Global Equity	6		58.24	58.55	+0.09	2.13
Acorn Income & Growth Acc.	3¼	C	52.20	54.88	-0.22	3.01
Acorn Income & Growth Inc.	3¼	C	51.72	54.16	-0.24	3.01
BWS UK & Int Securities Acc.	5½		50.08	53.39	-0.45	0.00
BWS UK & Int Securities Inc	5½		50.04	53.23	-0.44	0.00
Berkeley Income Acc.	5¼	C	119.10	126.70	-0.30	4.25
Berkeley Income	5¼	C	117.60	125.10	-0.20	4.25
Berkeley Intl Growth	5¼		129.60	137.50	-0.60	0.00
CAM Britan Grth Acc.	5¼		111.10	118.60	-0.70	0.00
CAM Britan Grth Inc	5¼		99.67	106.40	-0.60	0.00
Christows Treasure	5¼		81.23	86.68	-0.65	0.00
Christows Portfolio	5¼		73.14	78.22	-0.58	0.00
Christows Opportunities	5¼		66.37	70.86	-0.45	0.00

Rothschild Fund Management - Contd.

RAM FSAVC Scheme

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
UK Major Co's	5¼		100.81	106.65	-0.99	-
UK Smaller Co's	5¼		92.86	97.74	-0.21	-
UK Income	5¼		101.25	106.57	-0.79	-
America	5¼		114.78	120.78	-1.30	-
Japanese	5¼		49.79	52.40	-1.13	-
European	5¼		109.39	115.13	-1.02	-
Gilt	5¼		91.45	96.29	+0.07	-
Deposit	5¼		82.89	87.08	+0.01	-
Managed	5¼		98.10	103.25	-1.01	-

Royal Bank of Scotland UT Mgmt Ltd (1200)F

Capital House 2, Festival Square, Edinburgh EH3 9SU

Investor Helpline 0800 716746 Consultant helpline 0800 387530

Dealing: 0800 833501

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Balanced	6	C	117.10	125.24	-1.22	2.98
Growth	6		113.48	121.37	-0.97	3.01
Income	6		108.34	115.87	-1.05	3.86
International Bond	6		100.84xd	107.05	-0.19	5.87
International Growth	6		113.55xd	121.44	-1.12	0.00

Royal Life Fd Mgmt Ltd (1000)F

PO Box 34, Peterborough PE2 0UE Prices 01733 282828

General Enq: 01733 390000 Dealing: 01733 393000

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
United States	5		95.31	101.7	-1.50	0.00
Pacific Basin	5		73.61xd	79.2	-0.80	0.00
Equity Grwth Acc	5		344.3	368.2	-2.60	1.17
High Inc Accum	5		245.7	262.7	-2.20	4.07
High Inc Dist	5		141.8	151.7	-1.20	4.30
Ryl Life Int Cmy	5¼		59.52	63.06	-0.18	2.05
Ryl Life Intl Grwth	5¼		69.39	74.35	-0.92	0.00
Ryl Life Intl Spec.	5¼		64.82	68.95	-1.10	0.00
UK Emerging Cos.	5¼		138.8	147.8	-0.50	1.04
UK Index Tracking ♦	5¼		180.3	192	—	3.17
European	6		142.9xd	153.5	-2.10	0.00
Managed	6¼		159.5	171.5	-1.50	0.58

Royal London Unit Tst Mgrs Ltd (2200)F

Royal Lon Hse, Colchester CO1 1RA 01206 764400

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
American Growth	5¼		161.1	171.3	-1.80	1.91
European Growth	5¼		118.8	126.3	-0.50	2.47
Far East Growth	5¼		136.0	144.7	+0.50	2.03
Japan Growth	5¼		124.0xd	131.9	-1.70	0.00

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd

01202 292373

Britannia - Contd.

Eagle Star Life Assurance Co Ltd

Montpellier Drive, Cheltenham GL53 7LQ 01242 221 311

General Accident - Contd.

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FT MANAGED FUNDS SERVICE

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Laurentian Life plc
Barnwood, Gloucester GL4 7RZ 01452 371371

Life Funds	Selling Price	Buying Price	+ or -	Yield Gross
Managed Ser 3 Acc	566.8	596.4	-4.3	-
Property Ser 3 Acc	500.3	526.6	-0.4	-
American Ser 3 Acc	458.8	482.7	-6.8	-
High Yield Ser 3 Acc	912.2	960.2	-8.7	-
Gilt Edge Ser 3 Acc	450.5	474.2	-0.4	-
Money Ser 3 Acc	417.4	430.3		-
International Ser 3 Acc	406.2	427.5		-
UK Equity Acc	484.5	509.8	-3.2	-
Japan Acc	198.4	208.8	-2.8	-
Index Link Gilt Acc	192.5	202.6	-3.8	-
Henderson Int	217.5	228.9	+0.2	-
Perpetual Int	348.3	364.5	-1.5	-
Growth Ser 3 Acc	687.8	723.9	-2.0	-
European	162.8	171.4	-5.0	-
Far East	208.0	218.0	-1.4	-
Imperial Managed	439.5	462.6	-2.4	-
IL (UK) Managed	289.2	304.4	-3.4	-
Pension Funds				
Managed Retirement Acc	220.1	231.6	-1.9	-
Pens Property Acc	248.9	261.9	-0.2	-
Pens Gilt Edge Acc	271.5	285.7	-0.3	-
Pens Index Linked Acc	207.7	218.6	-0.3	-
Pens Money Market Acc	245.1	258.0		-
Pens UK Equity Acc	551.1	580.1	-4.5	-
Pens International Acc	540.0	568.4	-7.1	-
Henderson Int Pens	275.2	289.0	-1.8	-
Perpetual Int Pens	509.7	538.5	-3.5	-
Pens Wealthwin Acc	339.9	357.7	+0.1	-
Pens American Acc	180.2	180.8	-2.6	-
Pens European Acc	141.0	148.4	-1.8	-
Pens Far East Acc	170.2	179.1	-2.0	-
Pens Japan Acc	89.9	94.6	-1.7	-
CIM Pens Ethical	125.0	131.5	-0.6	-
Imp Pens Managed Ser 1 Acc	546.3	593.8	-5.0	-
Imp Pens Managed Ser 3 Acc	546.3	575.0	-4.6	-
Trident Pens Managed	1023	1077	-9.1	-

Legal & General
Unit Assurance
2, Montefiore Road, Hove, BN3 1SE 01273 825100

M & G Life and M & G Pensions - Contd.

MGM Assurance (z)
MGM House, Heene Rd, Worthing

Scottish Mutual Assurance plc
301 St Vincent St, Glasgow G2 5HN 0141-248 6321

	Selling Price	Buying Price	+ or -	Yield Gross
Flex End Oct 17	1817.7	1873.9	--	-
Pen Mngd Sep 29	268.6	283.8	--	-
Safety Fund	248.5	261.6	-0.80	-
Growth Fund	245.9	258.9	-1.70	-
Opportunity Fund	248.0	261.1	-1.50	-
Worldwide Venture Fnd	188.2	198.2	-2.00	-
UK Equity Fund	266.9	281.0	-1.90	-
UK Smaller Cos. Fund	261.8	275.6	-1.20	-
European Fund	361.8	381.0	-3.30	-
Far Eastern Fnd	351.2	369.7	-2.30	-
Japanese Fnd	128.1	134.9	-1.40	-
North American Fund	258.4	272.1	-3.20	-
International Fund	294.9	310.5	-2.90	-

Royal Heritage Life Assurance Ltd - Contd.

[illegible] Funds	Selling Price	Buying Price	+ or -	Yield Gross
British	418.5	438.4		-
European	279.4	294.1		-
Frontier Markets	180.5	188.9		-
Global Bond	123.7	130.2		-
Gold Intl Resources	80.9	85.1		-
High Inc	315.4	331.8		-
Hong Kong	438.6	461.6		-
Income	470.3	495.0		-
Japan	405.9	427.2		-
UK Smlr Cos	389.8	410.0		-

Scottish Mutual Assurance plc - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Gilts & Fxd Int Fund	209.0	220.0	-0.70	-
Index-Linked Fund	188.5	198.5	--	-
Property Fund	129.1	135.9	--	-
Cash Fund	180.3	189.8	+0.10	-
Pens Safety Fnd	306.5	322.7	-1.30	-
Pens Growth Fnd	269.6	283.8	-2.50	-
Pens Opportunity Fnd	282.1	297.0	-2.20	-
Pens W'wide Venture Fnd	200.8	211.2	-2.50	-
Pens UK Equity Fnd	272.1	286.5	-2.30	-
Pens UK Smlr Co's Fnd	238.9	251.5	-1.50	-
Pens European Fnd	337.8	355.6	-3.80	-

Money Market Bank Accounts

MANAGEMENT SERVICES

Money Market Trust Funds

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

[illegible]

Prices for dealing October 27

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Latest Fund Prices, 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

Apollo Investment Management Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd

[illegible]

Bachmann Global Investment Fund Ltd

[illegible]

CIBC Fund Managers (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GT Asset Management (Ireland) Ltd
(44) 171 710 4567 London

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Oct 27 / US$)
(4 pm close)

CANADA (Oct 27 / Can. $)
(4 pm close)

EUROPE

AUSTRIA (Oct 27 / Sch)

BELGIUM/LUXEMBOURG (Oct 27 / Frs.)

DENMARK (Oct 27 / Kr)

FINLAND (Oct 27 / Mka)

FRANCE (Oct 27 / Frs.)

GERMANY (Oct 27 / Dm.)

ITALY (Oct 27 / Lire)

NETHERLANDS (Oct 27 / Fls.)

NORWAY (Oct 27 / Kroner)

SPAIN (Oct 27 / Pts.)

SWEDEN (Oct 27 / Kronor)

SWITZERLAND (Oct 27 / Frs.)

AFRICA

SOUTH AFRICA (Oct 27 / Rand)

PACIFIC

JAPAN (Oct 27 / Yen)

AUSTRALIA (Oct 27 / Aus$)

HONG KONG (Oct 27 / H.K.$)

MALAYSIA (Oct 27 / MYR)

SINGAPORE (Oct 27 / S$)

INDICES

	Oct 27	Oct 26	Oct 25	1995 High		1995 Low	
Argentina							
General (29/12/77)	13035.13	12735.58	13252.23	16531.10	2/1	9891.89	9/3
Australia							
All Ordinaries(1/1/80)	2067.4	2086.4	2090.6	2166.00	18/9	1923.38	8/2
All Mining(1/1/80)	936.3	943.0	939.1	1029.90	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	328.50	(c)	332.82	395.42	2/1	328.50	27/10
Traded Index(2/1/91)	891.09	(c)	903.60	1086.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1415.12	1423.74	1423.58	1491.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	41406.0	40603.0	43438.0	49812.00	19/9	4931.89	8/9
Canada							
Metals Minls♦(1975)	4630.99	4568.35	4546.42	5292.77	21/8	3909.69	1/3
Composite♦ (1975)	4335.30	4314.20	4331.47	4718.30	12/7	3981.41	30/1
Portfolio§§ (4/1/83)	2144.37	2127.45	2124.37	2307.81	12/7	1953.38	30/1
Chile							
IGPA Gen♥(31/12/80)	5992.2	5901.1	5944.9	6063.16	11/7	4576.99	9/3
Denmark							
CopenhagenSE(3/1/83)	355.71	358.21	359.05	375.44	25/8	330.81	29/3
Finland							
HEX General(28/12/90)	1898.04	1918.45	1934.71	2332.22	14/9	1555.39	29/3
France							
SBF 250 (31/12/90)	1164.80	1172.22	1176.60	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1742.38	1754.12	1764.12	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	765.61	776.80	779.81	846.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2213.4	2247.8	2256.1	2427.88	19/9	2018.70	30/3
DAX (30/12/87)‡	2096.08	2131.84	2150.13	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	937.53	937.99	936.91	992.59	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9680.75	9774.48	9841.06	10032.93	17/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3444.12	3408.67	(c)	3932.66	2/1	3016.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	494.47	497.15	497.18	519.19	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2081.55	2098.16	2111.40	2170.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	578.68	579.73	571.98	680.54	10/2	555.89	23/10
MIB General (2/1/95)	914.0	918.0	903.0	1076.00	10/2	877.00	23/10
Japan							
Nikkei 225 (16/5/49)	17337.19	17726.89	17970.81	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	259.53	265.17	268.74	289.19	4/1	222.26	13/6
Topix (4/1/68)	1388.43	1415.04	1433.65	1583.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1859.45	1869.47	1887.74	2130.66	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	962.84	956.68	955.87	1085.84	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(c)	2120.42	2206.04	2622.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	485.4	488.9	494.3	511.80	19/9	422.90	23/3
CBS All Shr (End 83)	294.2	296.9	299.6	311.10	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2177.65	2187.24	2194.83	2206.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1211.03	1223.52	1245.02	1282.16	18/10	1036.09	10/3
Philippines							
Manila Comp (2/1/85)	2512.34	2542.33†	2544.06	2898.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	2573.0	2582.1	2585.5	2911.60	9/1	2585.69	25/10
Singapore							
SES All-S'pore(2/4/75)	513.01	509.94	508.85	535.08	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1279.7♥	1305.6	1317.3	2023.80	2/1	1279.70	27/10
JSE Ind. (28/9/78)	7455.2♥	7523.3	7588.2	7588.20	26/10	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)**	1001.37	1001.15	997.88	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	291.62	292.99	294.93	318.98	13/9	283.30	26/6
Sweden							
AffarsvarldsGen (1/2/37)	1687.8	1706.1	1728.9	1872.10	19/9	1439.89	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1393.45	1414.99	1414.83	1437.69	18/10	1174.63	13/3
SBC General (1/4/87)	1049.93	1062.93	1063.58	1079.62	18/10	878.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4936.77	4980.57	(c)	7051.49	5/1	4583.37	14/8
Thailand							
Bangkok SET (30/4/75)	1271.41	1270.14	1274.52	1472.04	10/7	1135.86	16/3
Turkey							
Istanbul Comp.(Jan 1986)	47145.8	47601.8	47625.0	54853.90	21/4	24844.21	23/1
WORLD							
MS Capital Int (1/1/70)§	681.8*	687.8	694.8	703.80	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1363.93	1374.41	1373.87	1400.69	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1239.68	1253.35	1260.37	1316.69	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	331.20	332.25	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	140.55	143.45	145.84	159.07	2/1	117.35	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ **CAC-40 (200 x Index)**							
Oct	1748.0	1742.5	-12.0	1749.0	1728.0	33,047	21,973
Nov	1756.0	1751.5	-12.0	1757.5	1739.0	14,177	14,191
■ **DAX**							
Dec	2136.0	2122.0	-32.5	2139.0	2100.5	38,037	-
Mar	2146.5	2142.0	-37.0	2155.0	2123.5	266	-
■ **OMX**							
Oct	1333.00	1323.25	-24.75	1333.00	1320.00	1,445	8,236
Nov	1342.50	1340.00	-17.00	1346.00	1325.00	6,869	12,415
■ **SOFFEX**							
Oct	3058.0	3033.0	-45.0	3063.4	3024.0	9,504	15,685
Nov	3059.0	3036.0	-43.0	3059.0	3037.0	49	1,647

** Sat Oct 21: Taiwan Weighted Price 4937.98; Korea Comp Ex 999.50 . Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 27 - 2112.01 -30.73.

US INDICES

Dow Jones	Oct 27	Oct 26	Oct 25	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4741.75	4703.82	4753.68	4802.45 (19/10)	3832.08 (30/1)	4802.45 (19/10/95)	41.22 (2/7/32)
Home Bonds	103.80	103.78	103.90	104.04 (16/10)	93.63 (3/1)	105.77 (18/10/93)	54.99 (1/10/81)
Transport	1904.24	1905.27	1926.49	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	215.99	217.37	219.08	219.89 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4766.68 (4777.88) Low 4653.24 (4655.05) (Theoretical♦)
Day's high 4742.48 (4755.48) Low 4676.00 (4667.69) (Actual♦)

Standard and Poors	Oct 27	Oct 26	Oct 25	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	579.70	576.72	582.47	590.65 (19/10)	459.11 (3/1)	590.65 (19/10/95)	4.40 (1/6/32)
Industrials♥	680.79	677.76	684.16	691.54 (19/10)	546.28 (3/1)	691.54 (19/10/95)	3.62 (21/6/32)
Financial	57.96	56.99	57.66	61.39 (18/10)	41.84 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	308.83	307.58	310.71	315.39 (19/10)	250.73 (3/1)	315.39 (19/10/95)	4.46 (25/4/42)
Amex Mkt Val	514.40	516.97	522.26	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1025.56	1017.57	1026.47	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ **RATIOS**

	Oct 20	Oct 13	Oct 6	Year ago
Dow Jones Ind. Div. Yield	2.42	2.42	2.43	2.72
	Oct 25	Oct 18	Oct 11	Year ago
S & P Ind. Div. yield	2.08	2.10	2.09	2.39
S & P Ind. P/E ratio	17.95	17.68	17.74	20.82

■ **NEW YORK ACTIVE STOCKS**

Friday	Stocks traded	Close price	Change on day
Micron	5,359,000	69¾	+½
Telefonos	4,564,800	27⅞	+⅝
Citicorp	3,422,900	64⅛	+½
Merck	2,950,400	58⅛	-1⅜
Bruing Farris	2,505,200	28¼	+¼
Chase Man	2,509,000	58½	+2¼
Wal-Mart	2,398,700	22⅛	+⅛
Texas Insts	2,277,700	67⅝	+⅜
IBM	2,211,400	96⅝	+⅝
Chemical Bk	2,180,700	59⅝	+2¼

■ **TRADING ACTIVITY**

● Volume (million)

	Oct 27	Oct 26	Oct 25
New York SE	339.806	464.183	433.577
Amex	16.317	17.643	19.525
NASDAQ	(u)	498.887	465.833
NYSE			
Issues Traded	3,002	3,055	3,044
Rises	1,128	633	805
Falls	1,067	1,702	1,524
Unchanged	807	720	715
New Highs	24	71	123
New Lows	89	111	72

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ **S&P 500**							
Dec	578.60	583.50	+4.85	583.60	575.20	108,285	197,732
Mar	582.50	588.20	+4.85	588.40	580.20	1,017	10,686
■ **Nikkei 225**							
Dec	17690.0	17370.0	-400.0	17710.0	17350.0	25,535	155,668
Mar	17640.0	17450.0	-310.0	17640.0	17450.0	2,104	7,150

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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WORLD STOCK MARKETS

AMERICA

Dow upturn on faster growth in GDP

Wall Street

Surprisingly strong GDP figures led to a volatile session that saw blue chips sharply lower in morning trading, but much stronger by early afternoon, *writes Lisa Bransten in New York.*

In late morning trading the Dow Jones Industrial Average had fallen by nearly 29 points, before recovering at 1 pm to post a gain of 26.01 to 4,729.83.

The Standard & Poor's 500 index had turned a 3.51 point loss into a 1.50 point gain, bringing the index to 578.22, while the American Stock Exchange composite shed 2.30 at 513.83.

Volume on the NYSE came to 253m shares.

The commerce department said that third quarter GDP grew by 4.2 per cent, much faster than the consensus estimate of 2.5 per cent growth.

Mr Michael Metz, chief investment strategist at Oppenheimer & Co. said that contrasting signals about the economy were making investors nervous.

On the one hand, weaker than expected earnings reports from some prominent companies worried investors about future profitability; while the strong GDP figure had dampened hopes that the Federal Reserve might lower interest rates at next month's meeting of its open market committee.

But the lower prices did bring investors back into several sectors that had fallen in the past eight sessions, such as technology and financial companies.

The technology rich Nasdaq composite, which had fallen nearly 22 points since last Friday, added 6.76 to 1,024.33, and the Pacific stock exchange technology index climbed 1.4 per cent on gains made by several bellwether technology issues.

Microsoft added $1⅞ at $99⅞, Intel was 1\frac{7}{16}$ higher at $67⅞, America Online gained $2⅜ at $74¼ and Hewlett-Packard rose $1¼ at $92⅝.

Financial shares also posted a strong rebound. JP Morgan, which is a component of the Dow, added $1¼ at $77⅞, NationsBank was $1⅞ higher at $66⅞ and Citicorp rose $1½ at $64⅞.

Canada

Toronto was hit by more jitters ahead of the Quebec vote, the TSE 300 composite index falling 16.60 to 4,297.57 at 1 pm as volume eased from 36m shares to 32.7m.

One of the worst fallers was Hemlo Gold Mines, down C$1⅝ at C$10⅛ following Thursday's news of a crack in the mine shaft at its Golden Giant mine near Marathon, Ontario.

Latin America

Regional bourses steadied themselves after Thursday's sharp falls, which had been precipitated by a decline in the Mexican peso.

MEXICO CITY had recovered some 2 per cent by midsession as the IPC index rose 44.84 to 2,232.02. The peso strengthened against the US dollar and currency traders suggested that Thursday's decline had been a speculative attack.

SAO PAULO followed the trend with the Bovespa index up 1,173 or 2.9 per cent at 41,775 by midsession. On Thursday the index recorded its lowest level since March.

BUENOS AIRES was also firmer by midday, and the Merval index, which had lost more than 3 per cent on Thursday, rose 8.47 or 2.2 per cent to 396.24.

Frankfurt still hopeful after recent Dax falls

Andrew Fisher surveys German revival prospects

German shares have disappointed investors recently. Having reached a record high in mid-September, the stock market has since moved downwards, postponing the hopes of the optimists. As the D-Mark has risen sharply, prospects for exporters have dimmed and shares have suffered.

But this is a month of unfortunate memories for traders and investors. As one German bank put it: "October does not have a good reputation." It is linked with the word "crash", says BfG Bank, harking back to 1987. Traders tend to be swayed more by mood than realism – "caution and not daring is the watchword".

Although confidence may have been seriously eroded, however, pessimism has not turned into panic. Markets have not tumbled alarmingly. The Dax index of 30 leading shares certainly began this week badly, with a 3 per cent fall in floor trading. But the market recovered its composure somewhat, though trading was highly uneven. The index ended yesterday at 2,112.01, a fall of 1.7 per cent on the week. This left it just 0.25 per cent up over the year so far.

For the moment, therefore, the excitement of the summer has been forgotten. September 15's all-time high of 2,317 in the Dax was followed by renewed weakness in the dollar, and the index fell by 5 per cent in a few days. Overall, the market lost 2 per cent in September – traditionally a bad month for German equities – in spite of its new high during the month.

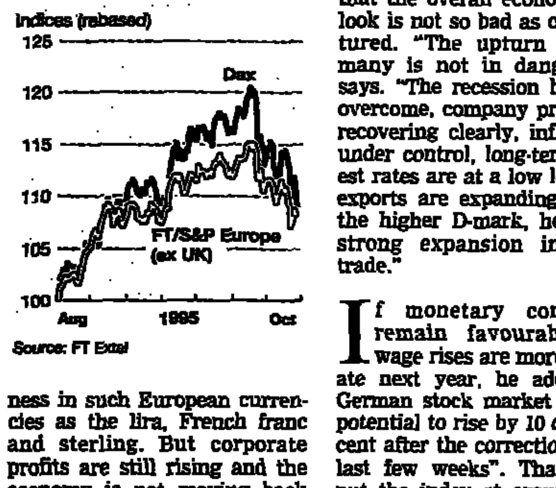
As usual after markets fall, there is no shortage of analysts saying that the time is ripe for picking up undervalued stocks. BfG (owned by France's Crédit Lyonnais) says that the market's decline has offered buying opportunities in such blue chips as Allianz (insurance), Siemens (electricals and electronics), Bayer (chemicals) and RWE (energy).

It also favours SAP, the business software company, which has been a rare star on the German market, although SAP's lustre has dimmed a little as profits growth has slowed down from previous giddy rates. As Germany's lone high technology stock in the Dax-30, which it entered last month, SAP is still regarded by analysts as a company with a dynamic future, as it moves deeper into American and Asian markets and upgrades its products.

For the market as a whole, most analysts still generally expect the Dax to move to new highs – though not until next year. This year's seesaw bourse performance certainly shows how jittery financial markets have become in the face of a weakening dollar – now around DM1.40, though it has been lower, against DM1.55 at end-1994 – and marked softness in such European currencies as the lira, French franc and sterling. But corporate profits are still rising and the economy is not moving back into recession, though it has slowed down.

Germany

Indices (rebased)



Source: FT Extel

Analysts at B Metzler, the private German bank, do not expect shares to continue downwards over the medium term. They view the latest price drop as "the expected correction after months of price advances". Pronounced price declines are to be expected only if German economic growth wanes further, "a scenario which we consider as highly improbable".

Thus, says, Mr Rainer Matthes, head of macro research and quantitative analysis at Metzler, the Dax should top the 2,400 level sometime next year, possibly in the first half. Economic growth trends remain positive, although the strong D-Mark has postponed the expected acceleration. He says that cyclical stocks such as engineering and automobiles should benefit.

The reception given to the latest profits improvement at Volkswagen, although analysts found the figures skimpy and confusingly presented, shows the potential still existing in German industry's core. VW shares gained last week after news of the upturn in the first nine months, with new models and higher consumer spending expected to benefit the motor sector.

Although the currency has tended to dominate sentiment, Mr Martin Kohlhaussen, chairman of Commerzbank, believes that the overall economic outlook is not so bad as often pictured. "The upturn in Germany is not in danger," he says. "The recession has been overcome, company profits are recovering clearly, inflation is under control, long-term interest rates are at a low level and exports are expanding despite the higher D-mark, helped by strong expansion in world trade."

If monetary conditions remain favourable and wage rises are more moderate next year, he adds, "the German stock market has the potential to rise by 10 or 15 per cent after the correction of the last few weeks". That would put the index at around 2,400 or slightly higher. Since 1996 is the year of the mammoth DM15bn Deutsche Telekom share sale – dwarfing this year's sizeable new issues by Merck pharmaceuticals (DM2.1bn) and Adidas sports equipment (now under way to raise up to DM1.5bn) – a buoyant stock market will come on cue for the banks handling this testing international issue.

But some caution is still in order, believes Mr Mark Howdle, head of European equity strategy at Union Bank of Switzerland. If the dollar does not recover to DM1.50 or more, the market is likely to continue performing disappointingly.

EUROPE

Paris cautious after Chirac TV address

The prime topic in **PARIS** was the previous night's television address by the French president, Mr Jacques Chirac, in which he committed himself to continuing the *franc fort* policy, with the reduction of the public deficit as his main priority.

Although there was a mildly cautious reaction to the address, the market did well to contend with intraday weakness on Wall Street, and closed with the CAC-40 index down 11.74 at 1,742.38, unchanged on the week. Turnover was FFr3.5bn. Some technical analysts believed that the CAC was now likely to test the 1,711 level in coming sessions.

Peugeot closed at its lowest level since July 1993, down FFr20 at FFr601 as investors awaited first half results which were released moments after the close of business. These came at the lower end of analysts' expectations, showing a first half profit of FFr1.21bn, against the previous year's FFr688m.

As Renault fell another FFr3.50 to FFr147.50 there were serious doubts that the final round of privatisation would proceed because of persistently weak market conditions. This had meant that the shares were now trading at a substantial discount to last year's retail offer price of FFr165, brokers remarked.

FT-SE Actuaries Share Indices

Oct 27 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1366.37	1365.18	1363.06	1358.55	1358.70	1361.24	1362.18	1363.93
FT-SE Eurotrack 200	1484.50	1484.67	1481.38	1479.25	1478.20	1477.50	1477.54	1481.07

	Oct 26	Oct 25	Oct 24	Oct 23	Oct 20
FT-SE Eurotrack 100	1374.41	1373.87	1363.11	1352.04	1380.47
FT-SE Eurotrack 200	1499.34	1499.02	1490.81	1479.98	1500.55

Base 1000 (26/10/90) High/day: 100 - 1366.51, 200 - 1486.28 Low/day: 100 - 1358.00 200 - 1473.40 † Partial

L'Oreal made a technical rebound of FFr10 to FFr1,144 following heavy selling on results earlier in the week.

AMSTERDAM did not leave Philips alone. Heavy trading was seen in the stock which managed to steady itself around the Fl 59 level before closing off 70 cents at Fl 59.40. PolyGram, the group's music subsidiary, lost another Fl 1.90 to Fl 96.20.

The AEX index lost 3.88 to 444.51, off 2.3 per cent on the week. Akzo Nobel and DSM also encountered selling, off Fl 3.70 and Fl 1.50 respectively at Fl 178.50 and Fl 120.00, partly as a consequence of disappointing results this week from Du Pont of the US, and ICI of the UK. The two Dutch companies are due to publish their own third quarter figures next week.

Nedlloyd went against the trend, up Fl 1.00 or 2.6 per cent to Fl 39.20, as it recovered from recent oversold levels.

MILAN had little opportunity catch its breath after Thursday's dramatic victory by Mr Lamberto Dini, the prime minister, in fending off a vote of no confidence from opposition parties. Having failed to oust the administration, Mr Silvio Berlusconi, who led the attack on Mr Dini, said that he would now oppose the budget.

As rumours abounded that a takeover battle for control of Ferruzzi Finanziaria was under way, the Mibtel index fell 0.6 per cent to 9,211 and the Comit index lost 1.05 to 578.68, up 1.4 per cent on the week.

Ferfin had another turbulent day, at one point being suspended after the shares rose sharply, before being requoted and moving as sharply in the opposite direction, to close down 10.5 per cent at L1,290. Dealers said that the equivalent of 5 per cent of Ferfin's ordinary capital was moved yesterday in block trades.

There were suggestions that a US corporate raider might have been instrumental in buying a large block of stock in Ferfin. Its Montedison unit was also volatile, closing up 1.7 per cent at L1,117.

ZURICH lost its edge as other financial markets applauded the "sparkling" performance of the Swiss franc. The SMI index dropped 53.4 to 3,026.6, 3 per cent down on the week.

Ciba led pharmaceuticals down, off SFr27 at SFr923; elsewhere in industrials Brown Boveri bearers fell SFr26 to SFr1,283, Holderbank, the construction group, by SFr25 to SFr900, and SMH, the watchmaker, by SFr23 to SFr702.

MADRID saw Huarte, the construction group, drop Pta111, or nearly 15 per cent to Pta632 on reports that it was selling its headquarters to improve group liquidity. The general index fell 1.37 to 291.62, off 1.6 per cent on the week.

STOCKHOLM, 4.7 per cent off on a week hit by negative reaction to third quarter earnings reports and a strengthening krona, saw the Affärsvärlden General index close 18.3 lower at 1,687.8. Brokers noted a slight rise in forestry stocks after MoDo said that it had closed a mill to stabilise prices; however, the index was still down by 22 per cent from its peak in mid-July. **HELSINKI**'s forestries saw another 1.4 per cent drop as the Hex index fell 21.39 to 1,898.04, 3.7 per cent down on the week.

OSLO balanced rising oil prices against the weak dollar and came out bearish, Norsk Hydro dropping NKr7 to NKr244.50 as the all share index fell 7.94 to 700.38, 3.9 per cent down on the week.

VIENNA's losers were headed by the ailing construction group, Maculan, down another Sch19 at Sch179. The ATX index was 122.1 lower at 891.09 but, relatively weak previously, it was only 0.5 per cent down over five days.

Written and edited by William Cochrane and John Pitt

SOUTH AFRICA

Shares finished weaker but recovered some of their earlier losses as support appeared in late afternoon trade. The overall index lost 52.6 at 5,765.9, the industrial index was 67.2 lower at 7,456.1 and the gold index slipped 25.9 to 1,279.7.

Among the day's features was Western Deeps, which lost R8.25 to R103.75 and Anglos, which slipped R4 to R208. SAB shed R3.50 to R119.50 as it lost recent steep gains, while Southvaal lost R3 to R83.

ASIA PACIFIC

Nikkei falls to a two-month low

Tokyo

Wall Street's fall on Thursday discouraged investors and the Nikkei index fell to a two-month low, led by a decline in banks and high-technology stocks, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index dropped 389.49, or 2.2 per cent to the day's low of 17,337.19, its lowest level since August 14 and down 4.5 per cent on the week. The index opened at the day's high of 17,698.59 and declined on profit taking by domestic and overseas investors.

Volume was 350m shares against 359m. The Topix index of all first section stocks fell 26.61, or 1.9 per cent, to 1,388.43 and the Nikkei 300 lost 5.64, or 2.1 per cent, to 259.53. Declines led advances by 857 to 189, with 138 issues remaining unchanged.

In London, the ISE/Nikkei 50 index was up 0.44 at 1,171.91.

Further worries regarding the financial sector prompted sales of bank and brokerage stocks. The banking sector fell 2.8 per cent with Daiwa Bank losing Y17 to Y609, Industrial Bank of Japan down Y110 to Y2,710 and Long-Term Credit Bank of Japan off Y32 to Y748. Brokers fell 2.9 per cent as a group, with Nomura Securities down Y40 to Y1,850 and Nikko Securities losing Y40 to Y947.

Investors took profits on high-technology stocks. Sony fell Y190 to Y4,750 on rumours that its colour television inventories had risen sharply. Fujitsu fell Y20 to Y1,190 and NEC lost Y30 to Y1,330.

Individual investors dabbled in speculative favourites. Komatsu Zenoah rose Y82 to Y825 on active buying and Nitto Chemical added Y50 to Y1,270.

In Osaka, the OSE average fell 220.17 to 19,029.05 in volume of 20.9m shares. Rohm fell Y180 to Y6,070 and Konami, the game maker, lost Y140 to Y2,370.

Roundup

Wall Street's weakness hit **HONG KONG**. The Hang Seng index finished 93.37 lower at 9,680.75. Turnover rose to HK$3.6bn from HK$2.64bn.

Some analysts expected more action next week when the Hang Seng Index October futures contract expires, after which investors would be expected to take new positions.

BANGKOK broke a nine-session losing streak with foreign investors active after the authorities approved regulations allowing overseas institutions to hold domestic stock through trust funds. The SET index made 1.7 to 1,271.41, down 0.8 per cent on the week. Previously foreign investors could only hold foreign registered stock.

SINGAPORE saw last-minute buying in selected blue chips which pushed the Straits Times Industrial index up 4.96 to 2,105.43, barely changed on the week. Gains in Keppel, Fraser & Neave and Singapore Telecom led the STI index higher, while the UOB OTC index, mainly for Malaysian OTC shares, ended down 6.32 at 1,032.50.

Volume was 95.2m with 108 rises against 218 falls.

SEOUL ended slightly higher. There were expectations of an early resolution to a slush fund scandal involving the former South Korean president, Roh Tae-woo. The composite index closed 0.22 higher at 1,001.37, hardly changed on the week, in volume of 29.27m shares.

TAIPEI slipped on disappointment over the central bank's decision not to loosen monetary policy. The weighted index plunged to an intra-day low of 4,896.12 before recovering slightly to end 53.80 down at 4,936.77, down 0.3 per cent on the week. Turnover was a modest T$21.2bn.

KUALA LUMPUR was dragged lower by late selling on concern about the country's growing trade deficit. The finance ministry projected that the trade deficit would rise to M$10.27bn in 1996, from an estimated M$9.64bn this year. The composite index lost 4.04 at 962.64.

SHANGHAI closed at a 15-week low with brokers predicting further weakness. The B sharemarket, badly hit a week ago by the disappointing share issue from Inner Mongolia Erdos Cashmere, fell to 54.33, down 3.4 per cent on the week.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY OCTOBER 26 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY OCTOBER 25 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	182.57	0.7	171.96	117.48	133.04	160.72	-0.2	4.04	181.32	170.20	116.11	131.38	161.04	191.01	157.95	171.30
Austria (27)	170.60	-0.6	160.66	109.78	124.32	124.29	-0.0	1.35	171.60	161.07	109.88	124.33	124.29	199.28	167.48	179.96
Belgium (35)	194.68	-0.6	183.37	125.28	141.87	138.32	-0.1	3.78	195.80	183.78	125.36	141.86	138.44	201.12	164.78	169.08
Brazil (28)	134.28	-6.0	126.47	86.40	97.85	237.59	-6.0	1.79	142.81	134.04	91.44	103.46	252.69	-	-	-
Canada (100)	135.78	0.0	127.89	87.37	98.95	134.26	-0.1	2.74	135.83	127.49	86.97	98.41	134.38	150.83	121.81	136.31
Denmark (33)	283.85	-0.6	267.35	182.65	206.85	210.23	0.0	1.54	285.47	267.95	182.79	206.83	210.28	295.99	236.61	257.03
Finland (25)	226.81	-1.8	213.63	145.95	165.28	201.37	-0.9	1.59	230.56	216.41	147.64	167.05	203.14	276.11	171.13	198.71
France (100)	169.40	-0.9	159.56	109.01	123.45	130.89	-0.4	3.35	171.01	160.51	109.50	123.90	131.41	191.17	157.79	168.36
Germany (59)	158.10	-1.2	148.91	101.74	115.21	115.21	-0.6	2.08	160.03	150.21	102.47	115.94	115.94	187.74	135.39	142.98
Hong Kong (55)	375.80	-0.7	353.97	241.83	273.86	373.06	-0.7	3.90	378.58	355.35	242.42	274.29	375.84	391.00	277.40	376.14
Ireland (16)	242.41	-1.2	228.32	155.99	176.65	211.36	-0.8	3.57	245.46	230.40	157.18	177.85	213.16	250.55	195.34	207.16
Italy (58)	70.67	2.8	66.57	45.48	51.50	84.54	1.9	1.80	68.73	64.51	44.01	49.80	82.93	82.71	65.45	77.08
Japan (483)	140.51	-1.8	132.34	90.41	102.39	90.41	-1.4	0.84	143.14	134.35	91.66	103.71	91.66	164.82	136.95	161.94
Malaysia (106)	472.81	0.8	445.34	304.25	344.56	492.34	1.1	1.78	468.85	440.07	300.22	339.69	457.20	561.96	398.16	544.60
Mexico (18)	915.16	-2.7	861.97	588.90	666.90	6949.06	-0.5	2.00	940.21	882.50	602.04	681.19	6985.07	2135.31	847.81	2124.80
Netherland (19)	254.11	-1.7	239.34	163.52	185.18	182.07	-1.1	3.59	258.42	242.57	165.48	187.24	184.08	263.99	207.60	216.29
New Zealand (14)	81.54	-0.1	76.81	52.47	59.42	65.91	-0.3	4.33	81.62	76.62	52.27	59.14	66.09	85.49	69.56	74.33
Norway (33)	228.85	-2.8	215.55	147.26	166.76	193.11	-2.0	2.17	235.42	220.97	150.75	170.56	197.12	243.79	192.92	206.09
Singapore (44)	369.52	0.0	348.05	237.79	269.29	241.25	-0.1	1.70	369.41	346.74	236.55	267.65	241.39	414.26	313.94	396.62
South Africa (45)	363.17	-0.8	342.06	233.70	264.65	288.56	-0.8	4.03	366.19	343.71	234.48	265.31	290.92	368.62	281.06	339.40
Spain (38)	145.15	-1.6	136.72	93.40	105.77	134.49	-0.7	4.20	147.58	138.52	94.50	106.92	135.50	160.51	124.10	139.67
Sweden (46)	308.49	-2.0	290.57	198.51	224.81	303.52	-1.3	1.97	314.72	295.41	201.53	228.03	307.60	320.43	225.80	241.78
Switzerland (41)	221.51	-0.4	208.64	142.54	161.42	156.46	0.0	1.70	222.41	208.76	142.41	161.14	156.49	223.54	158.38	162.96
Thailand (46)	157.91	-1.9	148.73	101.61	115.07	153.85	-1.8	2.65	161.04	151.16	103.12	116.68	156.82	-	-	-
United Kingdom (205)	223.47	-0.9	210.48	143.80	162.85	210.48	-0.5	4.07	225.41	211.58	144.34	163.32	211.58	227.31	187.07	199.23
USA (503)	236.38	-1.0	222.65	152.11	172.26	236.38	-1.0	2.49	238.75	224.10	152.88	172.98	238.75	242.04	192.33	198.84
Americas (649)	215.17	-1.0	202.67	138.48	156.80	180.72	-1.0	2.49	217.39	204.05	139.20	157.50	182.55	-	-	-
Europe (738)	192.44	-0.9	181.25	123.83	140.23	161.14	-0.5	3.13	194.12	182.20	124.30	140.64	161.86	199.02	163.04	171.49
Nordic (139)	280.54	-1.8	264.24	180.52	204.44	238.17	-1.1	1.86	285.62	268.08	182.88	206.94	236.84	295.02	215.79	233.26
Pacific Basin (832)	151.48	-1.5	142.67	97.47	110.39	100.90	-1.1	1.30	153.78	144.34	98.47	111.42	102.06	173.52	145.93	171.04
Euro-Pacific (1570)	168.45	-1.2	158.66	108.40	122.75	123.67	-0.8	2.17	170.49	160.03	109.17	123.52	124.68	178.33	154.73	171.10
North America (603)	230.17	-1.0	216.79	148.11	167.73	228.56	-1.0	2.50	232.39	218.13	148.81	168.37	231.79	235.91	178.86	185.56
Europe Ex. UK (532)	171.70	-0.9	161.72	110.49	125.12	134.57	-0.4	2.58	173.21	162.58	110.91	125.49	135.11	179.46	146.45	152.94
Pacific Ex. Japan (349)	254.56	0.0	239.77	163.81	185.51	223.25	-0.2	3.29	254.50	238.88	162.96	184.39	223.67	266.72	211.19	259.80
World Ex. US (1761)	169.22	-1.2	159.39	108.89	123.32	127.06	-0.8	2.22	171.28	160.77	109.69	124.10	128.12	178.73	155.42	173.07
World Ex. UK (2058)	186.57	-1.1	175.73	120.05	135.96	153.57	-0.9	2.13	188.74	177.15	120.85	136.74	156.02	191.32	163.46	175.15
World Ex. Japan (1781)	217.27	-0.9	204.65	139.81	158.33	202.10	-0.7	2.81	219.21	205.76	140.37	158.82	203.61	221.43	178.95	187.51
The World Index (2264)	188.79	-1.1	177.78	122.13	138.30	158.53	-0.9	2.33	191.94	180.16	122.90	139.06	158.98	194.25	165.82	177.27

Latest prices were unavailable for this edition. Market closed 26/10/95: Austria.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Apr	Jul	Puts Jan	Apr	Jul
ASDA	100	7½	10	13	4	5½	7
(*102½)	110	3	5½	8½	9½	11	12
Allied Domecq	500	17½	29	34	20	22½	33
(*509½)	550	4	11	14½	55½	57	67½
Argyll	300	28½	36½	41	5	8½	13½
(*324)	330	11½	18½	24½	18	21½	27½
BAA	460	37	48½	54	6	9	14
(*489)	500	14	25	31	23	26	31½
Bass	650	22½	33½	42½	26	34	38½
(*655)	700	6	15½	23	63	67½	70½
Boots	550	24½	37½	45	15	20½	27
(*558)	600	6	16½	22½	49	51½	56½
Brit Airways	420	46½	55½	62½	4	7½	12
(*460)	460	19½	30½	37½	17½	22	27½
BP	460	16	24	28½	14	20	24
(*461)	500	3	9½	14½	43½	46½	49
British Steel	180	8½	13	15½	6½	8½	12
(*183)	200	2	5½	7½	20	21½	24½
Cable & Wire	390	29½	43	49½	8	14½	20½
(*409½)	420	13½	27½	34	22	28½	34½
Comm Union	600	35	44	52	18½	31	36
(*607)	650	14	21½	30	47½	62	65½
Courtaulds	390	10½	30½	35	13½	18½	25½
(*395)	420	8	17	21½	32	36	43
Glaxo	800	69½	78½	86	11½	24	30
(*843)	850	32	48½	58½	30	45½	51½
HSBC 75p shs	900	61	84½	97	22	46	55
(*926½)	950	34½	58	71½	45	71½	80½
ICI	750	46	56	65	12	25½	30½
(*772½)	800	19	30	38½	36½	52	56½
Kingfisher	460	28½	40	44½	11½	23	28½
(*470½)	500	11	21	25½	34	45	50½
Land Secur	550	31	41½	47	6½	11½	21½
(*572)	600	7½	18	21	37	42	48½
Marks & S	420	18½	29	34	10	15	20½
(*426)	460	4	11½	18	37½	39½	43½
NatWest	600	46½	53½	62½	10½	24	32
(*626½)	650	20	27½	37½	33½	50½	58
PowerGen	550	32½	46	53	13½	20	26½
(*556½)	600	11½	23	29	42½	47½	53
Reuters	550	34	44½	56	18½	27	33
(*556)	600	13	21½	33½	46½	54½	60½
Royal Insce	360	32	41	48½	8½	19½	25½
(*379)	390	17	25½	34	22½	35½	41
Sainsbury	390	28½	37½	41	5	9½	13
(*411)	420	12½	26½	24½	18	22½	27
Shell Trans.	700	42½	53	67½	5½	15	18½
(*726)	750	13½	23½	29½	27½	39½	42½
SmKl Bchm A	650	34	49	58½	15	24	29½
(*665)	700	12	26	36½	43½	51	56
Std Chartd	460	56½	71½	82½	10	20½	26
(*500)	500	31	50½	62½	22½	37½	44
Storehouse	300	15½	22½	27½	9½	13	16
(*305)	330	4½	10	14	28½	31	33
Thames Wtr	500	30½	43	50	12½	18	26½
(*520)	550	10½	21	28	43½	46½	57
Trafalgar	20	4½	5	8½	3½	3½	4½
(*22)	25	2½	3	5	6½	6½	7½
Unilever	1200	48	78	81	16½	32	38
(*1224½)	1250	21	42	54½	42	57½	62½
Zeneca	1150	80½	105½	127	27½	50	60½
(*1184½)	1200	52½	75½	100	49½	73	83
Option		Nov	Feb	May	Nov	Feb	May
BAT Inds	500	28½	46½	51½	4	12	21
(*524½)	550	4	20	28	29	35	47½
BTR	300	30	37	40	-	2½	6
(*329)	330	5½	16	19½	5½	11½	17½
Brit Aero	700	28	60	61	12	29	39
(*707)	750	3	28	39	45	58½	66½
Brit Telecom	360	11½	19½	26	2½	12	14
(*367)	390	1	7	12	23	31½	32½
Cadbury Sch	500	28½	44½	47½	5	16½	22½
(*520)	550	4½	20	22	32	40	48½
Eastern Elec	950	25½	39½	38	¼	1	1
(*974)	1000	-	½	0½	26	31	32
GEC	300	18½	23½	31	1½	6½	9
(*314½)	330	1	8	15½	18½	22	23

Option		Calls Nov	Feb	May	Puts Nov	Feb	May
Grand Met	420	18½	30½	35½	5	18½	20
(*432)	460	2½	14	17½	29	42½	43
Guinness	500	8½	25½	32	8	16	25
(*500)	550	-	7	12½	50	50½	57
Hanson	191	7½	11½	-	2	7½	-
(*196½)	211	½	3½	-	14½	20½	-
Lasmo	140	14	19	22	-	3½	5½
(*153)	160	2	8½	11	8	12	14½
Ladbroke	160	4½	11½	14	2½	6½	9½
(*161½)	180	-	4½	6	18½	19½	22
Lucas Inds	180	7½	15½	19	3	7½	9½
(*184½)	200	½	6½	9½	16	19	20½
P & O	460	19	38	43	4	11½	22
(*475)	500	2½	16½	23½	27	33	45½
Pilkington	180	7½	14	18	2½	7½	9½
(*184½)	200	½	6	9	15½	21	21½
Prudential	360	30½	41½	46	1	6	12½
(*388½)	390	8	22½	27½	9½	17	25½
RTZ	850	38	66	72½	3	16	28½
(*882½)	900	8	38	44½	23	35	52
Redland	330	15	26½	33	3½	8½	16
(*341)	360	2	12	18½	21	23	31½
Rolls-Royce	140	15	19½	21½	-	3	4½
(*154)	160	2½	8	10½	7	11	14
Tesco	300	8	19	23½	4	10	15½
(*302½)	330	½	6½	10½	27½	29	33½
Utd Biscuits	260	16½	25	31½	2	8	12
(*272)	280	5	14	21	10½	17½	22
Vodafone	240	16½	24½	31	1	7½	10½
(*254)	260	4½	13½	20½	9	16½	20
Williams	300	18½	27	31½	1	4	8½
(*316½)	330	2	10	14	14	18	23½
Option		Dec	Mar	Jun	Dec	Mar	Jun
Abbey Natl	500	43	55	57	6	16½	19½
(*533½)	550	13	28	29	25	41½	44½
Amstrad	280	21	30½	38	6½	12	15
(*293½)	300	10½	20	27½	15½	21	24½
Barclays	700	40½	57½	74½	7	22½	28
(*736½)	750	18½	37	47	28½	46	51½
Blue Circle	280	16	25½	28	5½	12	18½
(*286½)	300	7	16	18½	17	22	26½
British Gas	220	22½	28½	30½	2	4½	7½
(*239)	240	8	18	18½	8½	11½	16½
Dixons	360	28½	37	46½	5	12	15½
(*380)	390	11½	21	30	18	25½	29
Fisons	260	4½	5	5½	½	1	½
(*264)	280	-	-	½	17½	18	20
Forte	240	18	17	20	5	10½	13½
(*242)	260	3	8	11	18½	22	25
Hillsdown	160	8	12½	14½	3½	6	11½
(*165½)	180	1	4½	6½	17½	18½	24½
Lonrho	140	20	22	24½	1	2½	3½
(*157½)	160	6½	9½	13	7	10½	11½
Natl Power	460	31½	42	52½	4½	10	16½
(*486½)	500	8½	20½	31	22½	27½	35½
Scot Power	330	28½	33½	40½	3½	8	9
(*353½)	360	9½	15½	23	13	21	21½
Sears	100	6½	9½	11	2	3½	5½
(*105)	110	2	4½	6	7½	9	10½
TSB	360	13½	20½	26½	8	17½	20
(*369)	390	½	7	11½	24½	34½	36½
Tarmac	80	10½	14	15	2	3	5
(*88)	90	4½	8½	10	6½	8	10
Thorn EMI	1450	81½	98	130½	37½	52	55½
(*1482½)	1500	38	73	103	64½	78½	79½
Tomkins	240	13½	20	25½	4½	9	11½
(*247)	260	4	10½	15½	15½	19½	22

* Underlying security price. Premiums shown are based on settlement prices. October 27 Total contracts, Equity and Index options: 33,224 Calls: 12,891 Puts: 20,333

FT GOLD MINES INDEX

	Oct 26	% chg on day	Oct 25	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (34)	1761.31	-0.8	1794.90	2253.89	2.08	-	2253.89	1637.91
■ Regional Indices								
Africa (16)	2393.77	-0.9	2414.98	3644.76	4.26	20.73	3644.76	2414.98
Australasia (6)	2240.88	+2.1	2195.88	2898.86	2.25	24.81	2898.86	1788.20
North America (12)	1541.98	-1.3	1562.13	1745.47	0.87	44.31	1831.00	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	2	64	5	129	176	50
Other Fixed Interest	1	0	13	2	4	64
Mineral Extraction	17	125	86	248	458	438
General Manufacturers	63	251	355	490	911	1,944
Consumer Goods	29	69	128	187	315	628
Services	50	200	297	392	720	1,627
Utilities	5	37	15	59	130	101
Financials	23	188	200	291	642	1,127
Investment Trusts	15	347	249	212	1,071	1,763
Others	16	68	46	153	269	231
Totals	221	1,349	1,395	2,163	4,696	7,973

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Oct 23	Expiry	Jan 25
Last Dealings	Nov 2	Settlement	Feb 1

Calls: Amer Endeavour, Andrews Sykes 7% Conv Prf, Black & Edgington, Bula Res, Glencar, Tarmac, Toad, Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smlr	92		-	-	-	-
-	F.P.	2.24	33	32	Do Warrants	32		-	-	-	-
50	F.P.	14.3	71	50	Consolidated Coal	65	+1	-	-	-	-
-	F.P.	39.9	139	102	†Creca Intl	111		-	-	-	-
-	F.P.	5.62	130	120	†Euro Sales Fin	125		-	-	-	-
-	F.P.	0.56	28	17	German Sml Wts	17	-1	-	-	-	-
-	F.P.	5.70	40	25	Hay & Robertson	38		v-	-	-	-
-	F.P.	11.7	119	112	†Indpt Radio	117	+3	v-	-	-	-
45	F.P.	17.6	61	52	†MultiMedia	61		v-	-	-	-
-	F.P.	18.9	105	100	Murray Vct	103		-	-	-	-
400	F.P.	3.62	400	400	†Preston Nth End	400		v-	-	-	-
-	F.P.	-	½	½	Upton & Sthn Wts	½		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	Low	Stock	Closing price p	+or-
60	Nil	15/11	8pm	5pm	First Choice	5pm	-1½
12	Nil	14/11	8pm	5pm	Stordata Solns	6pm	

pm premium.

FINANCIAL TIMES EQUITY INDICES

	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Yr ago	*High	*Low
Ordinary Share	2585.5	2571.3	2582.4	2582.7	2579.5	2345.1	2666.5	2238.3
Ord. div. yield	4.15	4.13	4.10	4.10	4.10	4.38	4.73	4.02
P/E ratio net	15.43	15.57	15.67	15.67	15.66	18.42	21.33	16.35
P/E ratio nil	15.24	15.38	15.48	15.48	15.47	17.96	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2547.7	2553.3	2554.7	2556.0	2554.0	2552.5	2554.4	2551.4	2560.8	2565.5	2546.3

	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Yr ago
SEAQ bargains	25,499	24,187	26,002	26,726	28,498	22,467
Equity turnover (£m)†	-	1547.2	1598.4	1397.4	1269.9	1184.8
Equity bargains†	-	29,523	30,782	31,670	32,615	26,616
Shares traded (ml)†	-	645.3	592.5	552.6	570.4	462.4

†Excluding intra-market business and overseas turnover.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those *securities not included in the FT Share Information Services.*

Unless otherwise indicated prices are in pence. The prices are those at *which the business was done in the 24 hours up to 5 pm on Thursday and* settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £128⅞ *(24Oc95)*
Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £122⅞ (24Oc95)

Corporation and County Stocks

Dudley Metropolitan Borough Council7% Ln Stk 2019 (Reg)(F/P) - £81.43 (23Oc95)
Leicester City Council 7% Ln Stk 2019(Reg) - £81.44 (23Oc95)
Manchester Corp 1891 3% Red Stk 1941(or after) - £31
Nottingham Corp 3% Stk (Irrd) - £31½ (23Oc95)
Salford (City of) 7% Ln Stk 2019(Reg) - £81.44 (23Oc95)

UK Public Boards

Clydeport Ld 4% Irrd Stk - £41½ (24Oc95)
Port of London Authority 3½% Stk 49/99 - £86¾ɸ

Foreign Stocks, Bonds, etc- (coupons payable in London)

Abbey National Treasury Servs PLC 6% Gtd Nts 1999(Br£1000,10000,100000) - £94.45 (25Oc95)
Abbey National Treasury Servs PLC 8% Gtd Bds 2003 (Br £ Var) - £97¾ (25Oc95)
Argyll Group PLC 8.125% Bds 2002 (Br £1000,£10000&100000) - £98⅜ (20Oc95)
Asda Finance Ld 10¾% Cnv Cap Bds2005(Br £5000&100000) - £122⅜
ASDA Group PLC 9⅝% Bds 2002(Br£1000&10000) - £104½ (23Oc95)
Bank of Greece 9¾% Bds 2003 (Br £ Var) - £99.9 (20Oc95)
Barclays Bank PLC 9% Perm Int Bearing Capital Bds(Br£ Var) - £101⅛ (24Oc95)
Barclays Bank PLC 9.875% Undated Subord Nts - £101¼ (24Oc95)
Bradford & Bingley Building SocietyCollared FltgRteNts 2003(Reg Mult£1000) - £97 (23Oc95)
British Gas Intl Finance BV 8⅞% Gtd Bds 1997 (Br ECU1000&10000) - EC102.1 102.4 (25Oc95)
British Gas PLC 10⅞% Bds 2001(Br ...

[illegible]

Unilever NV $200m 8⅝% Debt Inst(Br$1000&100000) - $100⅞ (23Oc95)
United Kingdom 7¼% Bds 2002(Br$Var) - $105.9 (20Oc95)
Welsh Water Utilities Finance PLC 7⅛% Gtd Bds 2004 (Br£Various) - £95.12707 (20Oc95)
Yorkshire Electricity Group PLC 8⅝% Bds 2005(Br£Var) - £98.8 (20Oc95)
Yorkshire Electricity Group PLC 9¼% ...

[illegible]

Tate&Lyle IntFin PLC/Tate&Lyle PLC 5¾% T&LItFnGtdBds 2001(Br) W/WtsT&LPLC - £85
Tesco PLC 8¾% Bds 2003(Br£Vars)(FyPd) - £101 (24Oc95)
Tesco Capital Ld 9% Cnv Cap Bds 2005(Reg £1) - £119¾ ¾ 20 ¼ ½ ½ ¾
Tesco Capital Ld 9% Cnv Cap Bds 2005(Br£5000&10000) - £117¾
Thames Water Utilities Finance PLC 10½% Gtd Bds 2001 - £109⅝ (23Oc95)
Trafalgar House PLC 10⅝% Bds 2006(Br£1000&10000) - £78 (23Oc95)
Trafalgar House PLC 10⅞% Bds 2014 (Br£10000&100000) - £76 (20Oc95)

Bass PLC 7¾% Uns Ln Stk 92/97 - £98 (25Oc95)
Bass Investments PLC 7⅜% Uns Ln Stk 92/97 - £98 (25Oc95)
Bellway PLC 9.5% Cum Red Prf 2014 £1 - 107½ 9¼ (24Oc95)
Bergesen d-y AS "B" Non Vtg Shs NK2.5 - NK132½ɸ
Birmingham Midshires Building Soc 9⅜% Perm Int Bearing Shs £1000 - £94¾
Blue Circle Industries PLC ADR (1:1) - $4.4
Blue Circle Industries PLC 6¾% Uns Ln Stk(1975 or aft) - £84
Boot(Henry) & Sons PLC Cum Prf (5.25%) £1 - 63

[illegible]

MCIT PLC S Inc Shs 50p(Fly Pd) - 37½ (25Oc95)
Merchants Trust PLC 4% Perp Deb Stk - £41
MorganGrenfellLatinAmerCo's-Tst PLCWts to sub for Ord - 24
New Throgmorton Trust(1983) PLC Zero Cpn Deb Stk 1998 - £80½ (20Oc95)
Paribas French Investment Trust PLCSers "B" Warrants to sub for Ord - 14
Schroder Korea Fund PLC Ord $0.01 (Br) - $13 ¼ (24Oc95)
Schroder Korea Fund PLC Wts to Sub for Ord (Br) - $4¾ (24Oc95)
Scottish Mortgage & Trust PLC 8%-14% Stepped Interest Deb Stk 2020 - £147¼ (23Oc95)
Scottish National Trust PLC 10% Deb Stk 2011 - £108
Shires High-Yielding Smllr Co's TstWts to Sub for Ord - 53 (24Oc95)
TR City of London Trust PLC Pfd Ord Stk(14% Non-Cum)£1 - 195 (25Oc95)
TR City of London Trust PLC 10¼% Deb Stk 2020 - £112¾
Throgmorton Trust PLC 12 5/16% Deb Stk 2010 - £125 6
Wigmore Property Investment Tst PLCWts to Sub for Ord - 14 (23Oc95)
Witan Investment Co PLC 8% Deb Stk 96/99 - £100¼ (24Oc95)
Witan Investment Co PLC 8½% Deb Stk 2016 - £97¾ 8 9
Witan Investment Co PLC 8¼% Exch Bds 2008(RegIntPrinc £1000) - £108½ 10 ½
Witan Investment Co PLC 8¼% Exch Bds 2008 (Br £ Var) - £107½

USM Appendix

Midland & Scottish Resources PLC Ord 10p - 5

Alternative Investment Market

Athelney Trust 57 (20/10)
Norcity II 62 (26/10)
United Auctions (Scotland) 452½ (25/10)
VDC 600 (24/10)

RULE 2.1 (a)(v)
Bargains marked in securities (not falling within Rule 2.1 (a)(i)) where the pricipal market is outside the UK and Republic of Ireland .

Associated Manganese Mines £43 (26/10)
Bank of East Asia HK$27.1,27.469775,28, (23/10)
Cape Range Oil A$0.293622 (26/10)
City Developments S$8.9 (25/10)
Dainippon Screen Manufacturing Y901,903.5217 (26/10)
Forest Laboritories $41.458612 (20/10)
Greenvale Mining A$0.2 A$0.2013 (25/10)
Greenvale Mining *A$0.05 A$0.0805 (25/10)*
Keystone International $22.375 (26/10)
Niugini Mining £1.3 (25/10)
Oil Search 50,47,50 (25/10)
Petroleum Securities Aust A$2.784114,2.78 (25/10)
United Overseas Land S$2.58 (25/10)
Wallace Computer Services $58.25 (20/10)

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FT-SE ACTUARIES INDICES

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The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-SE Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange *in conjunction with the Institute of Actuaries and the Faculty of Actuaries.*

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LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 Index drops below the 3,500 level

By Philip Coggan, Markets Editor

Shares in London finished a difficult week on a downbeat note, with the FT-SE 100 index falling for the fifth out of the last seven trading sessions.

Thursday's sharp fall on Wall Street – the Dow Jones Industrial Average dropped almost 50 points, having been 84 lower at one stage – induced marketmakers to mark down prices at the opening. Footsie began the day 29.3 points adrift at 3,490.3.

A rally then enabled the index briefly to regain the 3,500 level but with European stock markets generally weak, it was difficult for London to make much progress.

Stronger than expected US third quarter gross domestic product figures reduced the chances of an interest rate cut from the Federal Reserve. US Treasury bonds initially fell in response to the figures, although the effect was muted because of a very low inflation component in the GDP data.

Nevertheless, gilts fell in the wake of Treasuries, with the 10-year benchmark issue dropping by around a third of a point on the day. The Dow was 25 points weaker at one stage, pushing Footsie down to its low for the day of 3,484.7.

A rally on Wall Street, with the Dow nine points higher at the close of London trading, allowed Footsie to recover from the worst and the leading index ended the day 21.7 points lower at 3,497.9. The FT-SE Mid 250 index finished 21.0 points down at 3,864.3.

After the close, a further rally on Wall Street meant that the Footsie future traded strongly, with the December contract hitting 3,534 by 5.30pm.

One of the few leading shares to gain on the day was Pearson, the company which owns the Financial Times, on the back of news that it was part of a successful consortium bid for Channel 5. TV and financial services group MAI, Pearson's fellow consortium member, was the second best performer in the Mid-250 index.

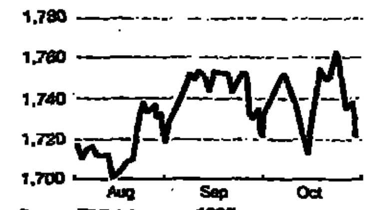
The worst performer among the middle-rankers was T&N, the automotive components and specialist engineering group, which lost a court case concerning an asbestos personal injury claim in the UK. T&N also faces asbestos-related litigation in the US.

There were some signs that bargain hunters were willing to buy the UK market at levels lower than 3,500. Mr Richard Jeffrey, Charterhouse group economist said: "There will be people who will look to take advantage of these downward moves because there is plenty of liquidity in the system. We have seen an enforced decline in investors' UK weightings, because of takeovers, and this gives the market some support."

Mr Jeffrey believed the market was worried about Wall Street and UK economic prospects, but said investors would be reassured on both points. "The Dow is not that overvalued and UK economic growth in 1996 will be stronger than expected," he said.

Trading volume was once again steady, with 615.6m shares dealt by the 6pm count. For once, Footsie volume made up more than half of the total. Retail business on Thursday was worth £1.55bn.

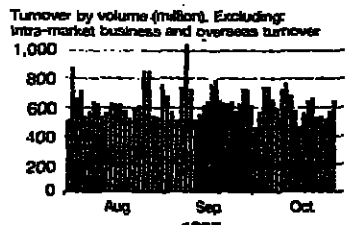
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE Mid 250	3864.3	-21.0
FT-SE-A 350	1740.8	-10.5
FT-SE-A All-Share	1720.27	-10.3
FT-SE-A All-Share yield	3.89	(3.86)
FT Ordinary Index	2565.5	-5.8
FT-SE-A Non Fins p/e	16.55	(16.67)
FT-SE 100 Fut Dec	3514.0	-19.0
10 yr Gilt yield	8.05	(8.02)
Long gilt/equity yld ratio:	2.14	(2.15)

FT-SE 100 Index

Closing index for Oct 27	3497.9
Change over week	-53.5
Oct 26	3519.6
Oct 25	3537.8
Oct 24	3535.4
Oct 23	3531.5
High*	3551.4
Low*	3484.7

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i	732	404	-2	London Elect.†	325	902	-4
ASDA Group†	18,000	102½	+2½	Lonrho	971	158½	+1
Abbey National†	3,000	534	-2	Lucas	481	185	
Albert Fisher	2,400	51		MEPC	244	362	-3
Allied Domecq†	3,100	510	-7	MFI	649	140	
Anglian Water	633	556	-10	Marks & Spencer†	3,300	427	
Argos	85	504	-2	Mercury Asset Man	57	922	-5
Argyll Group†	4,500	324	-5	Midlands Elect.†	67	965	+1
Arjo Wiggins†	2,700	233	-2½	Morrison (Wm.)	137	147	-2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved lower for the second session running, to close with the FT-SE 100 December contract off 19 points, *writes Jeffrey Brown.*

Trading was narrow but fairly volatile and, at 12,300 lots, the December contract, which stood at 3,514 when pit trading came to an end, achieved its heaviest volume of the week.

The premium to the cash market, which for long periods showed marked weakness, pulled back to 20 points at the close. This was broadly in line with fair value estimates.

The December contract has trended lower all week. Its net five-day decline was 56 points.

Options had another active day with puts business again predominating. Total volume was 34,000 lots shared evenly between index and stock options.

BT was the most active stock option with 4,130 lots traded. GEC, Vodafone and Hanson were all well dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3498.0	3514.0	-19.0	3540.0	3494.0	13435	66683
Mar	3532.0	3543.0	-19.0	3532.5	3532.0	5	3058
Jun	-	3548.0	-19.0	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3885.0	-25.0	-	-	0	3537

■ FT-SE 100 INDEX OPTION (LIFFE) (*3494) £10 per full index point

	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P
Nov	[illegible]															
Dec	232½	18	180½	25	153½	37	117	52	86½	73	60½	99	38½	130	23½	167½
Jan	251½	28½	212½	39½	175½	52	142½	69½	113	90	87½	116	65½	145½	48½	180½
Feb	268	35½	231½	48	194½	61	163½	80	133½	100	107½	125½	84½	154	64½	186½
Jun†	308	75			244½	108			184½	147			134	195		

Calls 5,207 Puts 6,099

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P
Nov	184	7	138	10½	96½	19	61½	33½	35	57	17½	89	8	129½	3½	174½
Dec	211	23½	170	32	131½	43½	98	59½	70	80½	46	106½	28½	138½	16½	175½
Dec	235	36½	195½	46	159	58½	126½	75	97	95	72½	120	52	148½	36½	182½
Mar	258½	54½			193	78			131	113½			81	161		
Jun†	281½	78½			229½	111			173	151			125	198½		

Calls 913 Puts 4,090 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 30 1994 based on Friday October 27 1995

Pharmaceuticals	+45.76	FT-SE-A 350	+13.24	Extractive Industries	+6.91
Life Assurance	+35.41	Water	+13.15	Distributors	+6.74
Banks, Retail	+31.50	FT-SE-A All-Share	+13.07	Mineral Extraction	+6.37
Health Care	+25.92	Electronic & Elect Equip	+13.05	Investment Trusts	+6.29
Financials	+25.37	Services	+12.77	Chemicals	+6.16
Support Services	+24.08	FT-SE SmallCap ex ITs	+12.47	Gen Industrials	+5.72
Consumer Goods	+23.88	FT-SE-A 350 Higher Yld	+11.55	Spirits, Wines & Ciders	+5.21
Tobacco	+23.14	FT-SE SmallCap	+11.06	Paper, Pckg & Printing	+3.96
Insurance	+19.29	Non-Financials	+11.00	Telecommunications	+3.44
Banks, Merchant	+18.89	Retailers, General	+10.95	Utilities	+2.10
Engineering	+18.65	FT-SE Mid 250 ex ITs	+10.91	Diversified Industrials	+1.18
Breweries	+18.52	Household Goods	+10.66	Textiles & Apparel	+0.60
Media	+18.01	FT-SE Mid 250	+10.35	Oil Exploration & Prod	-0.45
Leisure & Hotels	+16.02	Electricity	+8.28	Transport	-0.67
FT-SE-A 350 Lower Yld	+15.27	FT-SE-A Fledgling ex ITs	+7.52	Property	-4.65
Retailers, Food	+15.12	FT-SE-A Fledgling	+7.41	Building Matls	-6.14
Engineering, Vehicles	+14.79	Food Producers	+7.28	Building & Construction	-8.58
FT-SE 100	+14.10	Oil, Integrated	+6.94	Gas Distribution	-23.17

CU ahead on broker move

Commercial Union, considered the king of the composite insurers, benefited from a dramatic change of view by the sector's leading analyst.

Mr David Hudson of Credit Lyonnais Laing has decided it is time to call the top of the sector's earnings cycle.

He is advising institutional investors to run for safety to CU, which traditionally offers a steadier revenue flow.

"We have been bears of CU since I've been here. We are not issuing a buy recommendation for the private investor but a change of view for the next four years. We are saying brace yourself for the downturn, and the best way to protect yourself is to buy into CU's life earnings stream."

Mr Hudson believes the intense competition in non-life areas of the market, such as household and car insurance, will reduce returns on capital from the present 40 per cent to minus 20 per cent at the bottom of the cycle.

CU shares, which tend to follow rises and falls in the market because of the group's heavy investment in equities, rose 3 to 607p. **Royal Insurance** fell 3 to 380p. Laing has cut its 1995 forecast for Royal by £34m to £446m. **Sun Alliance** and **General Accident** were also lower. **Guardian**, seen as the most likely takeover candidate in the sector, rose 4 to 233p.

BTR active

Leading conglomerate BTR was easily the day's most active stock, racking up turnover of 23m, as the shares forged ahead against the general downturn, rising 3 to 329p.

A warrants placing by Cazenove accounted for a large part of the day's volume, but there was said to have been active buying, as investors pinpointed the end of the recent arbitrage uncertainties. BTR Nylex, the subject of an outstanding minority bid by BTR and the reason for recent heavy arbitrage between the UK and Australia, ceases to trade on December 4.

Analysts said this helped underpin a clear upswing in sentiment. BTR was beginning to catch up with the recent rally among engineering-related stocks, said one top trader. There was also talk yesterday of a big US short position being closed out.

Among engineers, **GKN**, **Siebe** and **TI Group** all moved ahead. GKN gained 8 to 797p, following Wednesday's presentation to institutions. The group took 25 leading institutional shareholders to the West Country to view its Westland helicopter operations.

Winning the Channel Five concession gave a fillip to **Pearson**, the media conglomerate which owns the Financial Times, and **MAI**, the financial and media conglomerate.

Analysts said the victory would give further credibility to Pearson's bid to be a global media player. It also provided a dose of reassurance which offset a clutch of acquisitions that were badly received by financial analysts.

For MAI, they said the move opened up the possibility of a future sector reclassification and a potential re-rating of the stock. Pearson gained 10 to 635p and MAI 11 to 323p.

Increased competition in the broadcasting industry prompted a knee-jerk reaction to **BSkyB**. The satellite broadcaster also fell on Thursday's news that it had lost exclusive rights to the Disney Channel, following a ruling by the Office of Fair Trading. Finally, Goldman Sachs was said to have moved its recommendation on the stock from buy to hold. The shares were the biggest percentage fallers in the Footsie, dropping 15 to 370p.

Third-quarter figures from **Reuters** showed falling revenue growth. But the decline had been flagged by the company and the market reacted kindly, selling the shares down only 2 to 557p.

Cordiant, the advertising group, fell 7 to 84p on fears about the company's financial health. However, some analysts said the stock was capitalised at 45 per cent of its revenue, in no financial difficulty and very cheap. Cordiant said it was considering a rights issue as part of a general refinancing programme.

Foods retailer **Asda** raced to the head of the Footsie rankings, after a profits upgrade by NatWest Securities which simultaneously moved from add to buy on the shares.

Analyst Mr Tony MacNeary lifted his profits estimate for the current year by £20m to £304m on the back of strong trading trends and "exceptionally good cost control". The shares bounced 2½ to 102½p in turnover of 18m.

NatWest was also active among general retailers, changing its stance from add to hold at **Burton Group**. The broker feels Burton's recovery has become increasingly dependent on sales in a very competitive market. It suggests that the risk/reward ratio for the shares is turning more negative. The stock came off 2½ to 102p to 12m traded.

Drinks group **Allied Domecq** came off steeply as worries about the durability of the shares' near 6 per cent yield resurfaced ahead of the upcoming results statement.

Allied, which ran into profit downgrades in July following a gloomy annual general meeting, puts out its next set of numbers on November 7. Talk yesterday suggested a top US securities house had raised the possibility of Allied cutting its dividend. The shares closed 7 lower at 510p.

Among the brewers, **Whitbread** added a penny to 609p. The group kicks off the beerage results season next Wednesday and most City analysts are expecting a solid outturn, in spite of the summer's prolonged hot weather and consumer spending competition from the National Lottery and scratch cards.

Litigation fears, never very far below the surface at motor components engineer **T&N**, sprang back to the top of the agenda yesterday following a compensation order against the group. Asbestos liability fears have been increasingly taking hold of sentiment in the run up to T&N's US court battle with Chase Manhattan which opens on Monday. The shares were off 20 at one stage yesterday. They closed 12 lower at 148p in 13m traded, easily the day's sharpest fall within the FT-SE Mid-250.

International conglomerate **Hanson** improved 2¾ to 196¾p. The shares have performed very badly against the market. Dealers said Goldman Sachs was recommending them.

Hit this week by the start of rival Orange group's new autumn advertising campaign, **Vodafone**, the UK mobile phones leader, shed 7½ to 254p.

NEW HIGHS AND LOWS FOR 1995

NEW HIGHS (36).
BUILDING & CNSTRN (2) Andrews Sykes, Havelock Europa. BLDG MATLS & MCHTS (1) Polypipe. DISTRIBUTORS (1) Acal. ELECTRNC & ELECT EQUP (2) Amstrad, Telspec. FOOD PRODUCERS (2) Devro Intl, Wilkinson. HEALTH CARE (1) Biocompatibles Intl. INSURANCE (1) Syndicate Capital. INVESTMENT TRUSTS (8) LEISURE & HOTELS (1) Chrysalis. MEDIA (3) Barbour Index, Chiltern Radio, GWR. OIL EXPLORATION & PROD (1) Cairn Energy. OTHER FINANCIAL (1) Intermediate Cap. RETAILERS, GENERAL (3) Bemerware, Goldsmiths, Robeys. SUPPORT SERVS (4) Black & Edgington, Cedardata, MITE, Vetec. TEXTILES & APPAREL (2) Bridport-Gundry, Worthington. AIM (1) Card Clear. AMERICANS (1) Anheuser-Busch.

NEW LOWS (131).
GILTS (2) BANKS, RETAIL (6) BUILDING & CNSTRN (11) AMEC, Avonside, BB & EA, Bryant, Countryside, Prowting, Tay Homes, Tilbury Douglas, Torex Hire, VHE, Wimpey (G). BLDG MATLS & MCHTS (8) Baggeridge Brick, Chieftain, Hewetson, Marley, Redland, SIG. DISTRIBUTORS (2) Heritage, Nightfreight. DIVERSIFIED INDLS (4) Adwest, Beresford Cv Uns 2015, Jardine, Matsu. ELECTRNC & ELECT EQUP (4) BICC, Delta, Electrolux, Radstone Tech. ENGINEERING (3) ASW, Beverley, Metsec. EXTRACTIVE INDS (10) FOOD PRODUCERS (4) Booker, Highlands, Hillsdown, Usborne. HOUSEHOLD GOODS (2) Le Creuset, Osborne & Little. INSURANCE (3) Lloyd Thompson, Lowndes Lambert, Sedgwick. INVESTMENT TRUSTS (36) LEISURE & HOTELS (2) Airtours, Do 6¾p Cv Pf. MEDIA (3) Cordiant, Euromoney Publishers, Tele-Cine Cell. OIL EXPLORATION & PROD (1) Chic Res. OTHER FINANCIAL (2) Jardine StrategicNati Home Loans. OTHER SERVS & BUSNS (2) Calderburn, Greenway. PAPER, PACKG & PRNTG (1) Smurfit (J). PROPERTY (3) Daejan, Focal Props, Fletcher King. RETAILERS, FOOD (1) Geest. RETAILERS, GENERAL (3) Benalls, Church, Hughes (T.J). SUPPORT SERVS (3) Micro Focus, Proudfoot, Reed Executive. TELECOMMUNICATIONS (1) British Telecom. TEXTILES & APPAREL (4) British Mohair, Chamberlain Phipps, Lamont, Lister. TRANSPORT (3) All Nippon Airways, Eurodollar, Wah Kwong. AIM (2) Lancashire Enterprises, London Fiduciary. AMERICANS (3).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Asprey	110	+	9
Bakyrchik	153	+	16
Biocompatibles	429	+	44
Bulgin A	24	+	2¼
Chiroscience	279	+	22
MAI	323	+	11
Wellingtn Undwrtg	99	+	5
Falls			
BSkyB	370	–	15
Chamberln Phipps	93	–	35
Colorvision	38	–	5
Cordiant	84	–	7
Filtronic Comtek	448	–	17
GEI Int	119	–	7
Heritage	23	–	6
Hewetson	42	–	18
Kingfisher	470	–	16
Le Creuset	160	–	8
Lister	25	–	5
SelecTV	30¾	–	3¾
T & N	148	–	12
Tring Int	44	–	6

FT-SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

	Oct 27	Day's chge%	Oct 26	Oct 25	Oct 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return	1995 High		1995 Low		Since compilation High		Since compilation Low	
73 Insurance(25)	1369.82	-0.1	1370.85	1370.91	1382.39	1252.38	5.38	2.69	8.64	72.25	1002.84	1428.14	19/10	1108.51	23/1	1824.20	29/12/88	878.90	25/8/92
74 Life Assurance(6)	3184.68	-0.7	3207.72	3140.60	3158.88	2416.19	4.38	1.53	18.60	138.72	1297.45	3228.65	18/10	2226.44	25/1	3220.65	19/10/95	957.78	23/1/86
77 Other Financial(22)	2384.00	.....	2385.03	2392.06	2393.06	1821.84	3.70	1.94	17.36	62.49	1328.05	2428.94	19/10	1823.81	7/3	2428.94	19/10/95	858.30	1/10/90
79 Property(45)	1344.09	-0.3	1348.41	1352.98	1350.62	1448.64	4.61	1.33	20.34	46.43	805.53	1488.84	28/7	1333.72	20/4	2132.48	5/8/89	718.40	16/9/92
80 INVESTMENT TRUSTS(133)	2868.06	-0.8	2890.89	2913.10	2918.17	2727.20	2.29	1.07	50.89	53.84	988.21	2985.37	15/9	2526.90	23/1	3184.31	2/2/94	877.20	14/1/86
89 FT-SE-A ALL-SHARE(908)	1720.27	-0.6	1730.57	1739.35	1738.30	1529.82	3.89	2.01	15.99	59.21	1417.76	1782.78	18/10	1489.23	23/1	1784.11	2/2/94	61.92	13/12/74
FT-SE-A Fledgling	1074.06	-0.4	1078.56	1080.86	1078.10	-	2.84	1.28	34.33	26.05	1102.21	1081.88	15/9	949.80	13/3	1778.30	2/2/94	31.14	12/12/94
FT-SE-A Fledgling ex Inv Trusts	1075.16	-0.4	1079.16	1081.17	1077.91	-	2.98	1.34	31.34	27.02	1104.51	1081.17	25/10	946.89	20/3	1778.38	2/2/94	28.13	12/12/94

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3490.3	3495.9	3499.9	3494.9	3491.6	3488.2	3490.1	3485.0	3483.8	3501.2	3484.7
FT-SE Mid 250	3856.1	3858.8	3861.7	3861.5	3859.7	3858.1	3857.5	3858.6	3861.8	3864.4	3855.1
FT-SE-A 350	1737.1	1739.5	1739.0	1739.4	1737.9	1736.4	1737.1	1735.1	1739.0	1742.1	1735.0

Time of FT-SE 100 High: 10.33am Low: 2.46pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	883.7	888.4	888.4	888.9	889.9	888.2	888.2	888.0	888.6	889.6	892.3	-2.7
Pharmaceuticls	4680.6	4690.1	4690.7	4691.2	4688.7	4681.7	4688.2	4679.2	4689.3	4698.4	4718.9	-20.5
Water	2065.2	2065.8	2069.8	2065.5	2061.7	2059.5	2058.6	2052.0	2054.1	2054.2	2078.8	-24.6
Banks, Retail	3785.4	3787.6	3800.7	3802.9	3808.2	3807.0	3802.7	3801.5	3798.0	3800.7	3827.6	-26.9

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE 100	31/12/83	1000.00	Electricity	31/12/90	1000.00	FT-SE SmallCap & ex I.T.s	31/12/92	1363.79	Oil Exp & Prod Total Retn	31/12/93	1047.33
FT-SE Mid 250 & ex I.T.s	31/12/85	1412.60	Water	29/12/89	1000.00	FT-SE-A Fledgling	30/12/94	1000.00	FT-SE-A Fledgling Total Ret	30/12/94	1000.00
FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	FT-SE-A Fledgling ex Inv Tsts	30/12/94	1000.00	FT-SE-A Fledg ex IT Total Ret	30/12/94	1000.00
FT-SE-A 350 Higher Yield	31/12/85	682.94	FT-SE-A All-Share	10/4/62	100.00	FT-SE Total Return Indices	31/12/92	1000.00			
FT-SE-A 350 Lower Yield	31/12/85	682.94	All Other	31/12/85	1000.00	FT-SE-A Sectors' Total Ret	31/12/93	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Bolton (Fledgling); Reoms (37) & (FT-SE 100); INSERT: CRP Leisure (Fledgling), London Clubs (FT-SE Mid 250); London Electricity (FT-SE 100).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Proposed Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.92	11.62	13.13
0100	8.92	11.62	13.13
0130	8.92	11.62	13.13
0200	8.86	11.62	13.13
[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf.		80½	—	98	80¼	6.31	19.6	–
Cater Allen	‡v	473	–7	525	418	154.2	7.7	7.1
Close Bros	‡qv	316xa	—	*340½	218¼	379.5	3.4	ɸ
Gerrard & Nat.	‡v	443	–5	490	395	216.2	6.3	14.3
Hambros	v□	200	–4	283	180	354.2	4.7	50.4
7½pc Cv Pf		100½	—	112	94	129.6	8.3	–
Joseph (L)	‡v	422	—	493	353	22.4	5.2	23.6
King & Shaxson	‡v	115	–4	145	85	29.6	9.8	8.9
Rea Brothers	‡v	45	—	57	44	21.9	2.8	18.0
Schroders	‡†fw□	1295	–30	*1478	806¼	1,955	1.4	18.4
N/V	†fw	1070	–5	*1180	823¼	470.8	1.7	15.2
Singer & Fried.	‡†v□	106xd	—	119	81	208.5	4.4	11.0
8½pc Cv Ln 08/14		£129½	—	£131	£100	38.7	6.6	–
Union	‡v□	105	—	121	70	27.9	3.6	–
Wintrust	‡v	285	—	295	200	25.1	4.8	16.9

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Inl		£31$\frac{13}{16}$	—	£34	£29	2,169	2.8	Φ
Barlow	♣	598	—	25$\frac{1}{2}$	£4$\frac{1}{2}$	1,619	1.2	29.8
Gold Flds Prop R		150xd	—	152	118	15.3	7.0	6.8
MK Props		86	—	95	85	3.46	13.6	–
SASOL	♥	539	—	648	435	3,156	2.5	–
SA Brews		£21$\frac{7}{16}$	—	£21$\frac{7}{16}$	£12$\frac{7}{8}$	6,116	1.6	28.3
Standard Bank	□	£24$\frac{7}{8}$	-$\frac{1}{8}$	£24$\frac{7}{8}$	£20$\frac{3}{16}$	2,882	1.9	17.0
Tiger Oats		1015	-43	1067	700	1,527	1.5	24.5
Tongaat-Hulett	†b	852	—	852	636	776.5	1.6	25.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FINANCIAL TIMES
Weekend October 28/October 29 1995

Israel set to agree $5.5bn deal with Qatar on supply of gas

By Julian Ozanne in Amman

Qatar, Israel and Enron, the US oil giant, will this weekend announce a breakthrough in talks on a multi-billion-dollar deal to supply Israel with natural gas from the Gulf state.

The project is one of several large regional deals, made possible by unfolding Arab-Israeli peace, which are the focus of the Middle East and North Africa economic summit opening in Amman tomorrow.

Mr Gregory Blatt, of the World Economic Forum which helped organise the summit, said the deal and the presence of a high-level Qatari delegation, marked the growing political acceptance of regional commercial relationships which include Israel.

"The Qatari involvement in Amman broadens the process from Israel, Jordan, Egypt and the Palestinians to an important part of the Gulf and underlines the shift away from politics towards practical business deals," he said.

The Qatari foreign and energy ministers will announce that Enron has concluded an agreement with Mobil to export 5m tonnes of natural gas a year for 25 years from Qatar's largely undeveloped northern gas field. Mobil is a partner in one of the production agreements.

Half the gas will be supplied to India under a separate deal and half to Israel in a $5.5bn liquefied natural gas project.

The Enron-Mobil agreement removes the political and economic obstacles to the deal from the Qatari side, leaving commercial issues to be resolved.

Negotiations with Israel will now focus on price, political risk insurance and where to site a liquefied natural gas terminal.

Under the proposed Israeli-Qatar deal, Enron will supply Israel with about 2m metric tonnes of gas a year – worth about $400m – to meet Israel's energy needs and plans to convert its power and petrochemical industries from oil to gas.

An Israeli official said the Qatari deal was not in competition with another regional natural gas supply project being negotiated with Egypt and Amoco – involving the construction of a $600m pipeline to supply 2m metric tonnes a year.

Israel plans to double energy production from 6,000MW to 12,000MW a year by 2005 and will need at least 4-5m tonnes of natural gas.

Qatar and Oman, represented at a low level at last year's summit in Casablanca, will present extensive project proposals to potential investors in Amman.

Although Syria and Lebanon, yet to make peace with Israel, are boycotting the summit, and many Arab states remain cautious of doing business with Israel. Saudi Arabia will be represented at ministerial level and a group of businessmen from Lebanon will also attend.

Several other deals are likely to be concluded at Amman, including the signing of an $50m Israeli-Jordanian joint venture to produce bromine on the Jordanian side of the Dead Sea. Seven projects between Israel, Jordan, Egypt and the Palestinians will be designated as fast-track projects, including a joint Israeli-Jordanian Red Sea airport.

Doctors rule out Yeltsin's fast return

Continued from Page 1

strengthened the anti-western sentiments which were already gaining ground in Russia. Mr Sergei Medvedev, the president's spokesman, suggested western traders might be spreading exaggerated rumours about Mr Yeltsin's health as part of their "stock market games".

Mr Vladimir Zhirinovsky, the ultra-nationalist leader, went further, blaming American spies for Mr Yeltsin's heart problems.

"These are the intrigues of the foreign special services," he said, in allegations presumably inspired by Mr Yeltsin's trip to the US last week. "Clinton needs a victory in the next elections and if Yeltsin stays president of Russia, Clinton will lose the election."

Mr Yeltsin's heart condition threatens to trigger a fierce struggle for power at home. Even senior Yeltsin aides admitted Russian political life had been thrown into turmoil.

"Opponents are forecasting a collapse, a crisis, they say that the president will not get over it," Mr Medvedev said. "I think the fighting spirit of the president will assert itself."

Other Russian politicians warned that Mr Yeltsin's heart problems could damage Russian democracy by causing a postponement of the presidential elections due in July.

Mr Victor Chernomyrdin, Russia's prime minister and the politician who would most immediately benefit from a worsening of Mr Yeltsin's health, stood by the president. It was business as usual, he said. "There is no reason to get worried about this."

Mr Chernomyrdin, who would take over the running of the country if the president were incapacitated, insisted that Russian economic reforms would continue despite "gloomy forecasts and predictions".

T&N payouts to residents exposed to asbestos dust

By Tim Burt in London

T&N, formerly Britain's largest asbestos producer, was yesterday ordered to pay compensation for the lethal exposure of residents to asbestos dust outside its factory in Armley, Leeds.

The High Court ruling, described by lawyers as a landmark, is the first time T&N – formerly Turner & Newall – has been ordered to pay for environmental contamination. It has already paid about £200m ($315m) to settle out of court, without admitting liability, claims by former employees and their families. Mr Justice Holland ruled that T&N had a duty of care not only to its own workers but also to residents coming into close contact with asbestos dust.

Solicitors acting for Mrs June Hancock, who contracted mesothelioma, an invariably fatal cancer of the lining of the lungs, when playing as a child near the factory, said the ruling meant that all manufacturers of hazardous material could face a wave of compensation claims. Mesothelioma is directly associated with exposure to asbestos.

Mr Adrian Budgen, a partner at Irwin Mitchell, the solicitors representing Mrs Hancock, said: "This is a warning to any company making potentially harmful products not to allow dangerous substances to escape."

June Hancock: contracted mesothelioma as a child

T&N, which has been ordered to pay £65,000 to Mrs Hancock and £50,000 to Mrs Evelyn Margereson, the widow of another mesothelioma victim, said it was considering an appeal.

Although Mr Justice Holland said the company had a duty of care to children playing outside the plant, his ruling suggested T&N was unlikely to have foreseen in the 1950s that exposure to asbestos dust outside the factory could lead to asbestos-related illnesses. Some legal experts, however, said other manufacturers of hazardous material would be examining their insurance cover to check safeguards against claims in light of the judgment.

The ruling was based on evidence supplied to Irwin Mitchell by Chase Manhattan, the US bank which is seeking $185m from T&N over alleged contamination of its New York headquarters. Chase won access to internal T&N documents in the US courts and handed them on to UK lawyers fighting asbestos liability cases against T&N.

T&N, whose shares fell 12p to 148p, said potential payments for this case and 19 others would be fully covered by existing provisions. Reactions to the judgment among City analysts were mixed, with some concerned at T&N's continuing asbestos problems and others relieved the verdict had not been harsher.

Most, however, agreed that yesterday's ruling was less financially significant than the Chase lawsuit, which opens on Monday. Lawyers acting for Chase are expected to cite the ruling as evidence of T&N negligence. T&N has denied liability and said it was confident of success.

T&N starts defence against Chase Manhattan, Page 5

Merrill faces action over share dealing

Continued from Page 1

period." Brokers are not normally permitted to buy shares in order to control price movements. But during the "stabilisation period" they are permitted to buy securities they have underwritten with the intention of stabilising prices to ensure the smooth launch of such issues. The official said that the Merrill purchases were outside the scope of permissible activities.

An SESC official said the commission did not believe the actions had been aimed at manipulating share prices, but the violations were still serious. The company had repeatedly carried out improper transactions for a prolonged period, fully aware it was breaking ministry regulations.

Merrill Lynch Japan's senior lawyer, Mr Masahito Amano, said the infringement had been an unintentional error. There had been a confusion between ministry rules and Tokyo Stock Exchange rules.

He said the company maintained baskets of shares as the basis of stock index arbitrage trades, and unintentionally left shares of companies for which it subsequently contracted to underwrite new share or convertible bond issues.

THE LEX COLUMN

Uncle Sam's tonic

Lingering fears that the US economy might tip into recession have been expunged by yesterday's unexpectedly strong gross domestic product growth figures. But the equally unexpected dip in inflation, as measured by the GDP deflator, also meant that bond markets rallied after an initial wobble. Normally bonds dive in response to strong economic growth, as that usually points to higher inflation on the horizon. Yesterday they were in celebratory mood.

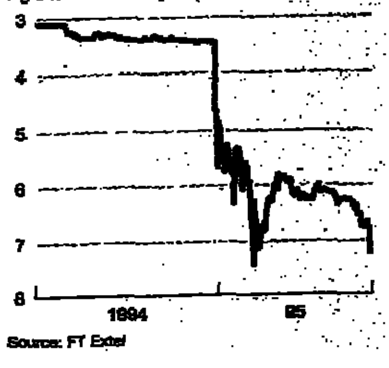
The bounce in US equities is rational enough. The prospect of another period of low-inflationary growth is about the best scenario for shares one can imagine. But the bond rally is harder to defend. Though inflation is now low, faster growth increases the risks of inflation further down the line – particularly since the labour market is tight.

Yesterday there was a tendency to play down the third quarter's 4.2 per cent growth figures as a blip. After all, inventories and government spending accounted for much of the acceleration since the second quarter, and that is unlikely to be repeated in subsequent quarters – if Congress and the Clinton administration can resolve their budget wrangle, government spending could even contract. But the pick-up in the housing market and a better performance from exports also played their part in boosting growth. Inflation may not be around the corner. But with the economy growing strongly again, the Federal Reserve has less incentive to cut interest rates again when it meets next month.

FT-SE Eurotrack 200: 1481.1 (-18.3)

Mexican peso

Against the dollar (pesos per $)



Source: FT Extel

Philips

Philips badly needs to get a grip on Grundig, its German consumer electronics subsidiary. Mounting losses were responsible for the Dutch giant's disappointing third-quarter results reported this week. Though Philips does not split out Grundig's figures, it could lose hundreds of millions of D-Marks this year – virtually wiping out profits in the rest of the consumer electronics division.

Grundig's immediate problem is a collapse in German demand for consumer electronics. Volumes have plunged 11 per cent and prices have fallen 6 per cent. The strong D-Mark has not helped either, since Grundig's main export markets are soft-currency Italy and Spain. Given that Grundig has accumulated large unsold stocks, prospects for the final quarter – normally the best – look grim.

Cost-cutting on its own will not be enough to restore Grundig's fortunes. The company has already shed 1,300 jobs this year, but that has not been sufficient. The essential problem is that manufacturing low-value consumer electronics will always be uneconomic in high-cost Germany. Investors would like to see Grundig's German factories closed and production shifted to cheaper locations. That would be politically explosive, particularly since Grundig's main operations are in Nuremberg where PKI, another Philips subsidiary, is also contracting. But Philips' depressed share price – once its stake in the PolyGram music business is stripped out, the market is giving little value to the remaining operations – is sending the board a strong message.

Mexico

The currency speculators have returned to Mexico after an eight month break, and they look set to remain for some time. The main problem for the Mexican peso is that the government has been a victim of its own success. Its biting austerity programme reversed the trade and current account deficits. Moreover, inflation was forecast to more than halve from an estimated 50 per cent this year. But the extent of the fiscal tightening has created considerable political unrest, since the government has been unable to demonstrate a credible programme for economic recovery. Thursday's dramatic weakening of the peso has fuelled further interest rate rises and created pressure from imported inflation, so much of the government's work has been undone.

President Ernesto Zedillo has an immediate opportunity to calm the storm. The current negotiation of the pacto, an agreement on prices and wages with unions and business leaders, could put out a signal that inflation remains under control. This should enable interest rates to edge back below 40 per cent and would help stabilise the peso, which looks undervalued on the basis of purchasing power parity.

But the Zedillo government needs to start tackling structural problems within the Mexican economy. The peso crisis in December demonstrated the dangers of relying on foreign investment, given the risks of a flight of capital. The government must do more to encourage domestic investment, such as introducing further pension reforms, if it is to keep the currency speculators at bay.

T&N

Yesterday's court defeat is a setback for T&N. As it stands, the ruling increases the number of asbestos victims able to claim compensation from the UK engineering group. So far, claims in Britain have been limited to T&N employees and their families. That could now shift to ordinary people who came into contact with dust from its Leeds factory that once produced asbestos. Whether this will trigger a flood of new claims remains to be seen. Currently only 19 similar cases have been filed.

Financially, the £115,000 awarded in damages is insignificant compared with T&N's £100m store of unused provisions. Moreover, the group is planning to set aside another £50m this year and next. That means there will be no short-term impact on profits.

The greater danger lies in the US, where Chase Manhattan is suing T&N for $185m. The British group has made no provision against this claim and has only partial insurance cover. Following rapid diversification, T&N is big enough to survive even a claim of that magnitude.

The ongoing business is sound and, with the dividend cut to a sustainable level, the balance sheet is well on the way to being repaired. But as long as the asbestos risks remain unquantified T&N cannot be regarded as anything other than a speculative investment. The implications of the ruling could be serious for other companies too. Any manufacturer of hazardous materials may find itself facing contamination claims.

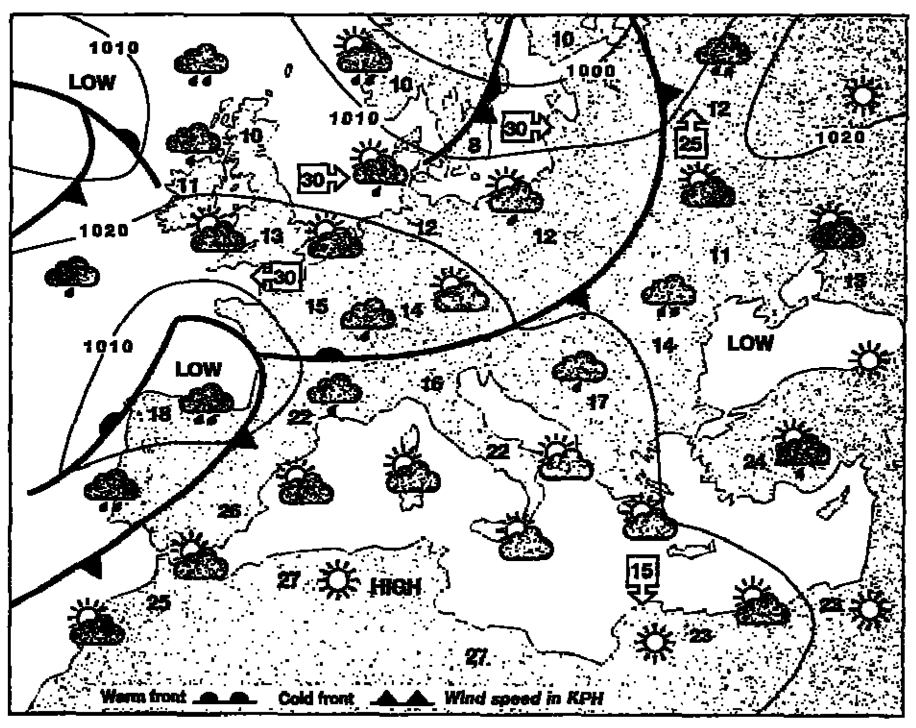
FT WEATHER GUIDE

Europe today

Low pressure in the Bay of Biscay will move to central France. An associated cold front over western France and the western half of the Iberian peninsula will cause cloud and rain, especially in Portugal and, later, in central France. North of the front there will be sunny spells in the British Isles, the Benelux and northern Germany although there may be showers in coastal areas. A cold front stretching over the Baltic States to the Alps will produce rain. Italy, the former Yugoslavia and Greece will have sunny periods. The Black Sea and western Turkey will have cloud and showers. The Ukraine and southern Russia will remain sunny.

Five-day forecast

Most of north-western Europe will become cooler. High pressure crossing the British Isles will bring settled conditions from Tuesday. Southern Scandinavia, Poland and most of Russia will have broken cloud and periods of rain. Low pressure over Spain will move slowly east. Southern France and northern Italy will be cloudy with rainy periods on Sunday. By Monday, the depression will trigger showers over Italy and parts of Greece.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City		Maximum Celsius
Abu Dhabi	sun	29
Accra	thund	30
Algiers	fair	27
Amsterdam	fair	11
Athens	fair	19
Atlanta	sun	18
B. Aires	sun	17
B.ham	fair	11
Bangkok	shower	31
Barcelona	fair	22
Beijing	fair	22
Belfast	cloudy	10
Belgrade	sun	15
Berlin	fair	12
Bermuda	shower	27
Bogota	cloudy	19
Bombay	fair	35
Brussels	fair	11
Budapest	fair	13
C.hagen	shower	10
Cairo	fair	25
Cape Town	rain	17
Caracas	shower	30
Cardiff	fair	12
Casablanca	fair	24
Chicago	fair	13
Cologne	fair	12
Dakar	fair	34
Dallas	sun	23
Delhi	sun	32
Dubai	sun	32
Dublin	fair	11
Dubrovnik	fair	18
Edinburgh	cloudy	11
Faro	fair	23
Frankfurt	cloudy	13
Geneva	drzzl	16
Gibraltar	sun	23
Glasgow	fair	11
Hamburg	shower	11
Helsinki	shower	11
Hong Kong	fair	27
Honolulu	fair	31
Istanbul	shower	15
Jakarta	cloudy	31
Jersey	cloudy	15
Karachi	fair	36
Kuwait	sun	31
L. Angeles	sun	25
Las Palmas	fair	26
Lima	fair	21
Lisbon	rain	21
London	sun	13
Lux.bourg	shower	11
Lyon	shower	18
Madeira	fair	23
Madrid	shower	20
Majorca	sun	25
Malta	fair	23
Manchester	fair	11
Manila	cloudy	29
Melbourne	cloudy	17
Mexico City	cloudy	20
Miami	fair	31
Milan	shower	15
Montreal	rain	15
Moscow	sun	13
Munich	rain	14
Nairobi	thund	25
Naples	fair	21
Nassau	fair	31
New York	rain	19
Nice	fair	20
Nicosia	fair	29
Oslo	cloudy	10
Paris	drzzl	15
Perth	fair	26
Prague	shower	13
Rangoon	cloudy	34
Reykjavik	fair	4
Rio	cloudy	28
Rome	fair	21
S. Frsco	sun	21
Seoul	cloudy	19
Singapore	thund	32
Stockholm	cloudy	10
Strasbourg	rain	14
Sydney	shower	21
Tangier	fair	24
Tel Aviv	fair	27
Tokyo	rain	18
Toronto	shower	14
Vancouver	cloudy	12
Venice	fair	18
Vienna	cloudy	15
Warsaw	rain	11
Washington	cloudy	21
Wellington	rain	15
Winnipeg	cloudy	4
Zurich	rain	14

هكذا من الأصل